

**LOVELAND CITY SCHOOL DISTRICT**



**Basic Financial Statements**

**June 30, 2014**

**PLATTENBURG**  
Certified Public Accountants





# Dave Yost • Auditor of State

Board of Education  
Loveland City School District  
757 South Lebanon Road  
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, 2013 through June 30, 2014. 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.

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

Dave Yost  
Auditor of State

February 24, 2015

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Loveland City School District

### Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As described in Note 19 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the District's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 9, 2014

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

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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, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

### **Financial Highlights**

Key financial highlights for 2014 are as follows:

- Net position of governmental activities increased \$4,500,457 which represents a 14% increase from 2013.
- General revenues accounted for \$48,083,265 in revenue or 88.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,081,153 or 11.2% of total revenues of \$54,164,418.
- The District had \$49,663,961 in expenses related to governmental activities; \$6,081,153 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$48,083,265 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 Position* and *Statement 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 2014?" 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.

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
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**(Unaudited)**

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These two statements report the District's *net position* and changes in those assets. This change in net position 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 funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major funds. 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**The District as a Whole**

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

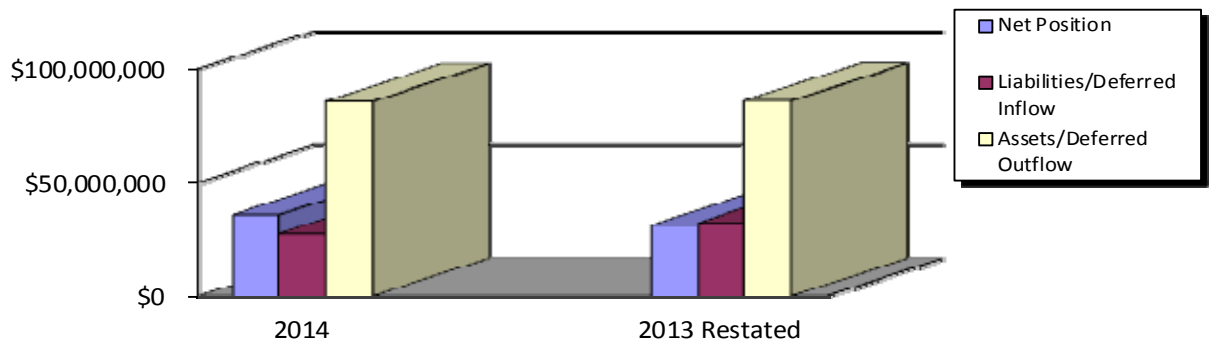
Table 1 provides a summary of the District's net position for 2014 compared to 2013:



**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
(Unaudited)

**Table 1**  
**Net Position**

	Governmental Activities	
	2014	2013 Restated
Assets		
Current Assets	\$42,761,694	\$40,755,338
Capital Assets	42,789,266	45,106,637
Total Assets	85,550,960	85,861,975
Total Deferred Outflows of Resources	71,987	78,843
Liabilities		
Other Liabilities	6,536,962	8,119,327
Long-Term Liabilities	20,916,639	24,006,023
Total Liabilities	27,453,601	32,125,350
Total Deferred Inflows of Resources	22,443,711	22,590,290
Net Position		
Net Investment in Capital Assets	22,682,869	21,205,124
Restricted	4,942,728	3,760,749
Unrestricted	8,100,038	6,259,305
Total Net Position	\$35,725,635	\$31,225,178



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,725,635.

At year end, capital assets represented 50% 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, 2014, totaled \$22,682,869. 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

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
(Unaudited)

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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 position, \$4,942,728, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net position of \$8,100,038 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.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Long-term liabilities decreased primarily due to the District continuing to make principal payments on its long term debt obligations.

Table 2 shows the change in net position for fiscal year 2014 with comparisons to fiscal year 2013.

**Table 2**  
**Changes in Net Position**

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	Governmental Activities	
	2014	2013 Restated
Program Revenues:		
Charges for Services and Sales	\$2,234,644	\$2,245,870
Operating Grants and Contributions	3,846,509	3,041,090
General Revenue:		
Property Taxes	33,102,731	29,413,018
Grants and Entitlements	14,612,092	14,421,694
Other	368,442	227,241
Total Revenues	<u>54,164,418</u>	<u>49,348,913</u>
Program Expenses:		
Instruction	29,407,925	28,513,257
Support Services:		
Pupil and Instructional Staff	4,465,405	4,091,110
General and School Administrative, Fiscal and Business	4,172,433	4,190,417
Operations and Maintenance	3,335,035	3,271,220
Pupil Transportation	3,417,475	3,250,717
Central	785,371	734,212
Operation of Non-Instructional Services	1,887,391	2,207,939
Extracurricular Activities	1,531,778	1,394,675
Interest and Fiscal Charges	661,148	970,091
Total Expenses	<u>49,663,961</u>	<u>48,623,638</u>
Change in Net Position	4,500,457	725,275
Beginning - Net Position	<u>31,225,178</u>	<u>30,499,903</u>
Ending - Net Position	<u><u>\$35,725,635</u></u>	<u><u>\$31,225,178</u></u>

**Loveland City School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
(Unaudited)

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The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 88% of the District’s revenues for governmental activities.

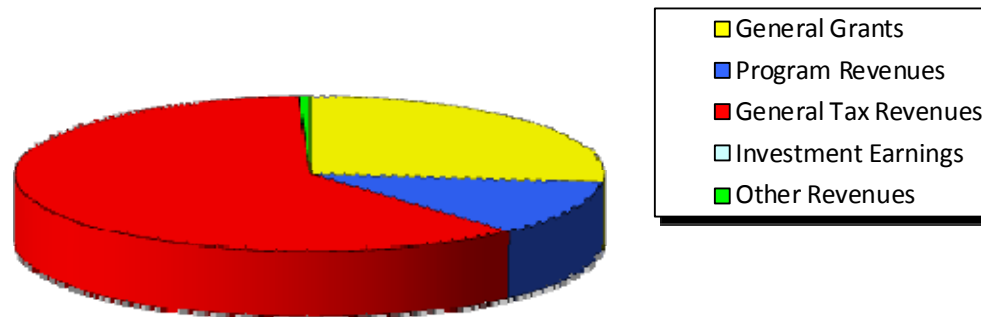
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner 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 2014.

**Governmental Activities**  
**Revenue Sources**

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<u>Revenue Sources</u>	<u>2014</u>	<u>Percentage</u>
General Grants	\$14,612,092	26.98%
Program Revenues	6,081,153	11.23%
General Tax Revenues	33,102,731	61.12%
Investment Earnings	24,780	0.04%
Other Revenues	343,662	0.63%
Total Revenue Sources	<u>\$54,164,418</u>	<u>100.00%</u>



Instruction comprises 59% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses including interest expense were 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenue increased in 2014 compared to 2013 mainly due to an increase in property tax receipts. Instruction Expenses increased mainly due to general inflationary costs.

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
(Unaudited)

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**Governmental Activities**

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**

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	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$29,407,925	\$28,513,257	(\$26,217,657)	(\$26,270,806)
Support Services:				
Pupil and Instructional Staff	4,465,405	4,091,110	(4,205,621)	(3,739,004)
General and School Administrative, Fiscal and Business	4,172,433	4,190,417	(4,156,870)	(4,175,462)
Operations and Maintenance	3,335,035	3,271,220	(3,311,317)	(3,245,146)
Pupil Transportation	3,417,475	3,250,717	(3,313,128)	(3,138,846)
Central	785,371	734,212	(774,571)	(723,412)
Operation of Non-Instructional Services	1,887,391	2,207,939	(38,361)	(221,846)
Extracurricular Activities	1,531,778	1,394,675	(904,135)	(852,065)
Interest and Fiscal Charges	661,148	970,091	(661,148)	(970,091)
Total Expenses	<u>\$49,663,961</u>	<u>\$48,623,638</u>	<u>(\$43,582,808)</u>	<u>(\$43,336,678)</u>

**The District's Funds**

The District has three major governmental funds: the General Fund, Debt Service Fund and Permanent Improvement Fund. Assets of these funds comprised \$41,835,958 (99%) of the total \$42,384,631 governmental funds' assets.

**General Fund:** Fund balance at June 30, 2014 was \$7,821,889, an increase in fund balance of \$2,409,572 from 2013. The primary reason for the increase in fund balance was due to an increase in property tax revenue.

**Debt Service Fund:** Fund balance at June 30, 2014 was \$3,194,556, a decrease of \$215,480 from 2013. The decrease in fund balance was mainly due to expenses exceeding revenue in 2014.

**Permanent Improvement Fund:** Fund balance at June 30, 2014 was \$1,526,543, an increase of \$1,435,609 from 2013. The increase in fund balance was mainly due to an increase in taxes revenue.

**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.

**Loveland City School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
(Unaudited)

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During the course of fiscal year 2014, 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, final budgeted revenue was \$41,732,731, compared to original budget estimates of \$40,305,885. Of the \$1,426,846 difference, most was due to an underestimate for taxes and intergovernmental revenue.

The District’s ending unobligated cash balance for the general fund was \$3,573,385.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$42,789,266 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

**Table 4**  
**Capital Assets at Year End**  
**(Net of Depreciation)**

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	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$1,436,356	\$1,436,356
Buildings and Improvements	39,288,508	41,180,556
Equipment	<u>2,064,402</u>	<u>2,489,725</u>
Total Net Capital Assets	<u>\$42,789,266</u>	<u>\$45,106,637</u>

The decrease in capital assets is due current year depreciation expense exceeding current year additions.

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

***Debt***

At June 30, 2014, the District had \$19,634,167 in debt outstanding, \$1,939,092 due within one year. Table 5 summarizes total debt outstanding.

**Loveland City School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
(Unaudited)

**Table 5**  
**Outstanding Debt at Year End**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013 Restated</u>
Bonds Payable:		
Refunding Bonds:		
Current Interest Bonds -		
2005 School Improvement	1,515,000	1,515,000
Capital Appreciation Bonds		
2005 School Improvement	419,092	860,378
Accretion of Interest	820,183	1,394,857
2010 Tax Refunding Bonds	2,200,000	3,245,000
Premium on 2010 Refunding Bonds	75,390	113,085
2010 School Energy Improvement Bonds	4,440,000	4,875,000
2013 Refunding Bonds - Current Interest Bonds	7,820,000	7,985,000
2013 Refunding Bonds - Capital Appreciation Bonds	340,000	340,000
Accretion of Interest	135,600	39,785
Premium on 2013 Refunding Bonds	<u>1,868,902</u>	<u>2,046,893</u>
Total Outstanding Debt at Year End	<u>\$19,634,167</u>	<u>\$22,414,998</u>

See Note 7, 8 and 9 in the notes to the basic financial statements for the details on the District’s long-term obligations.

**For the Future**

School funding in the State of Ohio is still in a “fluid” situation. Even though the Governors new budget has been released, people are still pouring over all the pages of HB59 trying to decipher what changes lay ahead for school districts in Ohio.

Even with new funding numbers from the State of Ohio the Board of Education must place a new operating levy on the ballot. The previous levy, 3.5 mills, was placed on the ballot in 2011 and was promised to sustain the District for three years. At that time the Board of Education realized that the state of the economy was spiraling out of control and they did not want to add any additional financial burden to its residents. It was a conscious decision to spend the cash balances down at a controlled rate. Cash balance reserves should be recognized as the stabilizing resource that they are, rather than a revenue source to support ongoing operations. As the Board analyzes its operating condition, its commitment to taxpayers, and the very real need for additional resources at some point in the future, great care will need to be given to the sustainability of the District’s current level of services to its community.

On May 6, 2014 a new operating levy passed for 5.6 mills. The levy will be collected over a four year period beginning January 1, 2015. Through careful planning the District expects the resources from the levy to last for five years.

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, management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

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The District's AA2 rating from Moody's was recently reaffirmed for its fiscal and management strengths. This was accomplished even though our economy has been horrible over the past two to three years.

**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 Brett Griffith at Loveland City School District, 757 South Lebanon Road, Loveland, Ohio 45140.

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Loveland City School District, Ohio  
Statement of Net Position  
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$9,492,445
Receivables (Net):	
Taxes	32,852,521
Accounts	59,000
Interest	1,598
Intergovernmental	330,285
Inventory	25,845
Nondepreciable Capital Assets	1,436,356
Depreciable Capital Assets, Net	<u>41,352,910</u>
 Total Assets	 <u>85,550,960</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>71,987</u>
 Total Deferred Outflows of Resources	 <u>71,987</u>
Liabilities:	
Accounts Payable	311,406
Accrued Wages and Benefits	4,656,404
Accrued Interest Payable	38,826
Claims Payable	30,326
Tax Anticipation Notes Payable	1,500,000
Long-Term Liabilities:	
Due Within One Year	2,191,924
Due In More Than One Year	<u>18,724,715</u>
 Total Liabilities	 <u>27,453,601</u>
Deferred Inflows of Resources:	
Property Taxes	22,243,711
Grants and Other Taxes	<u>200,000</u>
 Total Deferred Inflows of Resources	 <u>22,443,711</u>
Net Position:	
Net Investment in Capital Assets	22,682,869
Restricted for:	
Debt Service	3,197,647
Capital Projects	1,553,530
Learning Links	33,230
Athletic	75,746
Auxiliary Services	20,135
Food Service	62,440
Unrestricted	<u>8,100,038</u>
 Total Net Position	 <u><u>\$35,725,635</u></u>

See accompanying notes to the basic financial statements.



Loveland City School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$21,501,682	\$600,907	\$359,206	(\$20,541,569)
Special	6,745,487	67,092	2,027,082	(4,651,313)
Vocational	160,054	0	39,635	(120,419)
Other	1,000,702	0	96,346	(904,356)
<b>Support Services:</b>				
Pupil	3,087,473	0	146,030	(2,941,443)
Instructional Staff	1,377,932	0	113,754	(1,264,178)
General Administration	78,393	0	0	(78,393)
School Administration	2,816,303	15,563	0	(2,800,740)
Fiscal	1,098,319	0	0	(1,098,319)
Business	179,418	0	0	(179,418)
Operations and Maintenance	3,335,035	23,718	0	(3,311,317)
Pupil Transportation	3,417,475	0	104,347	(3,313,128)
Central	785,371	0	10,800	(774,571)
Operation of Non-Instructional Services	1,887,391	908,054	940,976	(38,361)
Extracurricular Activities	1,531,778	619,310	8,333	(904,135)
Interest and Fiscal Charges	661,148	0	0	(661,148)
<b>Total Governmental Activities</b>	<b>\$49,663,961</b>	<b>\$2,234,644</b>	<b>\$3,846,509</b>	<b>(43,582,808)</b>

**General Revenues:**

<b>Property Taxes Levied for:</b>	
General Purposes	27,385,319
Debt Service Purposes	2,381,081
Capital Projects Purposes	3,336,331
Grants and Entitlements, Not Restricted	14,612,092
Revenue in Lieu of Taxes	233,816
Unrestricted Contributions	14,932
Investment Earnings	24,780
Other Revenues	94,914
<b>Total General Revenues</b>	<b>48,083,265</b>
Change in Net Position	4,500,457
Net Position - Beginning of Year, Restated	31,225,178
Net Position - End of Year	\$35,725,635

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$4,016,631	\$2,472,396	\$2,235,135	\$391,220	\$9,115,382
<b>Receivables (Net):</b>					
Taxes	27,637,002	2,154,425	3,061,094	0	32,852,521
Accounts	56,963	0	714	1,323	59,000
Interest	1,598	0	0	0	1,598
Intergovernmental	200,000	0	0	130,285	330,285
Inventory	0	0	0	25,845	25,845
<b>Total Assets</b>	<b>31,912,194</b>	<b>4,626,821</b>	<b>5,296,943</b>	<b>548,673</b>	<b>42,384,631</b>
<b>Liabilities:</b>					
Accounts Payable	85,190	0	219,492	6,724	311,406
Accrued Wages and Benefits	4,320,511	0	4,102	331,791	4,656,404
Compensated Absences	189,994	0	4,272	0	194,266
Tax Anticipation Notes Payable	0	0	1,500,000	0	1,500,000
<b>Total Liabilities</b>	<b>4,595,695</b>	<b>0</b>	<b>1,727,866</b>	<b>338,515</b>	<b>6,662,076</b>
<b>Deferred Inflows of Resources:</b>					
Property Taxes	19,293,012	1,432,265	2,042,534	0	22,767,811
Grants and Other Taxes	200,000	0	0	0	200,000
Investment Earnings	1,598	0	0	0	1,598
<b>Total Deferred Inflows of Resources</b>	<b>19,494,610</b>	<b>1,432,265</b>	<b>2,042,534</b>	<b>0</b>	<b>22,969,409</b>
<b>Fund Balances:</b>					
Restricted	0	3,194,556	1,526,543	228,003	4,949,102
Assigned	356,793	0	0	0	356,793
Unassigned	7,465,096	0	0	(17,845)	7,447,251
<b>Total Fund Balances</b>	<b>7,821,889</b>	<b>3,194,556</b>	<b>1,526,543</b>	<b>210,158</b>	<b>12,753,146</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$31,912,194</b>	<b>\$4,626,821</b>	<b>\$5,296,943</b>	<b>\$548,673</b>	<b>\$42,384,631</b>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2014

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Total Governmental Fund Balance \$12,753,146

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

Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 42,789,266

Other long-term assets are not available to pay for current-  
 period expenditures and, therefore, are deferred in the funds.

Intergovernmental	\$524,100	
Interest	<u>1,598</u>	
		525,698

An internal service fund is used by management to charge  
 back costs to individual funds. The assets and  
 liabilities of the internal service fund are included in  
 governmental activities in the statement of net position.

Internal Service Net Position 346,737

In the statement of net position 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.

(38,826)

Some liabilities reported in the statement of net position do not  
 require the use of current financial resources and, therefore,  
 are not reported as liabilities in governmental funds.

Compensated Absences (1,088,206)

Deferred outflows of resources associated with long-term liabilities  
 are not reported in the funds.

71,987

Long-term liabilities are not due and payable in the current  
 period and, therefore, are not reported in the funds.

(19,634,167)

Net Position of Governmental Activities

\$35,725,635

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property and Other Taxes	\$27,402,118	\$2,382,456	\$3,338,157	\$0	\$33,122,731
Tuition and Fees	721,456	0	0	0	721,456
Investment Earnings	25,329	0	425	36	25,790
Intergovernmental	15,436,154	311,139	475,285	2,285,764	18,508,342
Extracurricular Activities	310,812	0	0	255,041	565,853
Charges for Services	38,880	0	0	908,054	946,934
Revenue in Lieu of Taxes	233,816	0	0	0	233,816
Other Revenues	59,844	346	1,329	48,727	110,246
<b>Total Revenues</b>	<b>44,228,409</b>	<b>2,693,941</b>	<b>3,815,196</b>	<b>3,497,622</b>	<b>54,235,168</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	19,466,601	0	637,383	8,000	20,111,984
Special	5,860,772	0	0	936,553	6,797,325
Vocational	160,054	0	0	0	160,054
Other	917,196	0	0	83,590	1,000,786
<b>Support Services:</b>					
Pupil	2,976,220	0	0	142,384	3,118,604
Instructional Staff	1,229,385	0	2,561	86,564	1,318,510
General Administration	78,393	0	0	0	78,393
School Administration	2,772,622	3,655	37,384	0	2,813,661
Fiscal	992,145	28,091	51,260	0	1,071,496
Business	174,493	0	213	0	174,706
Operations and Maintenance	2,522,329	0	674,693	0	3,197,022
Pupil Transportation	3,120,290	0	163,944	0	3,284,234
Central	401,505	0	149,392	10,800	561,697
Operation of Non-Instructional Services	2,556	0	0	1,842,435	1,844,991
Extracurricular Activities	1,114,172	0	0	311,049	1,425,221
Capital Outlay	30,104	0	96,507	0	126,611
<b>Debt Service:</b>					
Principal Retirement	0	1,651,286	435,000	0	2,086,286
Interest and Fiscal Charges	0	1,226,389	131,250	0	1,357,639
<b>Total Expenditures</b>	<b>41,818,837</b>	<b>2,909,421</b>	<b>2,379,587</b>	<b>3,421,375</b>	<b>50,529,220</b>
<b>Net Change in Fund Balance</b>	<b>2,409,572</b>	<b>(215,480)</b>	<b>1,435,609</b>	<b>76,247</b>	<b>3,705,948</b>
<b>Fund Balance - Beginning of Year</b>	<b>5,412,317</b>	<b>3,410,036</b>	<b>90,934</b>	<b>133,911</b>	<b>9,047,198</b>
<b>Fund Balance - End of Year</b>	<b>\$7,821,889</b>	<b>\$3,194,556</b>	<b>\$1,526,543</b>	<b>\$210,158</b>	<b>\$12,753,146</b>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
 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, 2014

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Net Change in Fund Balance - Total Governmental Funds \$3,705,948

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	\$190,227	
Depreciation Expense	<u>(2,507,598)</u>	
		(2,317,371)

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

Delinquent Property Taxes	(\$20,000)	
Interest	(1,010)	
Intergovernmental	<u>(49,740)</u>	
		(70,750)

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

2,870,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.

8,802

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	\$169,558	
Amortization of Bond Premium	215,686	
Amortization of Deferred Charge on Refunding	(6,856)	
Bond Accretion	<u>(304,855)</u>	
		73,533

The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

Change in Net Position - Internal Service Funds		<u>230,295</u>
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Change in Net Position of Governmental Activities		<u><u>\$4,500,457</u></u>
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See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

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	<u>Governmental Activities- Internal Service Fund</u>
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$377,063</u>
Total Current Assets	<u>377,063</u>
Liabilities:	
Current Liabilities:	
Claims Payable	<u>30,326</u>
Total Current Liabilities	<u>30,326</u>
Net Position:	
Unrestricted	<u>346,737</u>
Total Net Position	<u>\$346,737</u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2014

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	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	<u>\$358,581</u>
Total Operating Revenues	<u>358,581</u>
Operating Expenses:	
Contactual Services	44,154
Claims	71,873
Other	<u>12,259</u>
Total Operating Expenses	<u>128,286</u>
Operating Income (Loss)	<u>230,295</u>
Change in Net Position	230,295
Net Position - Beginning of Year	<u>116,442</u>
Net Position - End of Year	<u>\$346,737</u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2014

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	<u>Governmental Activities- Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$358,581
Cash Payments to Suppliers	(56,413)
Cash Payments for Claims	<u>(68,314)</u>
Net Cash Provided (Used) by Operating Activities	<u>233,854</u>
Net Increase (Decrease) in Cash and Cash Equivalents	233,854
Cash and Cash Equivalents - Beginning of Year	<u>143,209</u>
Cash and Cash Equivalents - End of Year	<u><u>377,063</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	230,295
Changes in Assets & Liabilities:	
Increase (Decrease) in Claims Payables	<u>3,559</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$233,854</u></u>

See accompanying notes to the basic financial statements.



Loveland City School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$370	\$205,003
Total Assets	<u>370</u>	<u>205,003</u>
Liabilities:		
Accounts Payable	0	1,166
Other Liabilities	<u>0</u>	<u>203,837</u>
Total Liabilities	<u>0</u>	<u>\$205,003</u>
Net Position:		
Held in Trust	<u>370</u>	
Total Net Position	<u><u>\$370</u></u>	

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2014

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	Private Purpose Trust
Additions:	
Donations	\$0
Total Additions	0
Deductions:	
Scholarships	4,445
Total Deductions	4,445
Change in Net Position	(4,445)
Net Position - Beginning of Year	4,815
Net Position - End of Year	\$370

See accompanying notes to the basic financial statements.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**Note 1 - Description of the District**

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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**

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**

The District has three non-public schools within its boundaries. St. Columbia School is operated through the Catholic Diocese. Children's Meeting House Montessori School is guided by the American Montessori Society; and Ohio Valley Voices which is a school for the Hearing Impaired. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the schools by the treasurer of the District, as directed by the schools. 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 three jointly governed organizations and two public entity risk pools. These organizations are:

Jointly Governed Organizations:

The Southwest Ohio Computer Association

Hamilton Clermont Cooperative Association / Unified Purchasing Association

The Great Oaks Institute of Technology and Career Development

Public Entity Risk Pools:

Greater Cincinnati Insurance Consortium

These organizations are presented in Notes 13 and 15.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**Note 2 - Summary of Significant Accounting Policies**

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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 position 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. 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, deferred outflows of resources, current liabilities and deferred inflows of resources 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e.,

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 Fund – 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.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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internal service funds of the District accounts for a self-insurance program which provides workers' compensation benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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's only fiduciary funds are a private purpose trust fund and two agency funds. The private purpose trust fund accounts for scholarship programs for students. 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 accrual 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.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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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 and intergovernmental revenue.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes (which includes tax incremental financing 'TIF') and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

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 2013. 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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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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, 2014.

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 \$1,598.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/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 capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). 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>Estimated Lives</u>
Buildings and Improvements	20-40 years
Equipment	5-15 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.



**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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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>Superintendent and Treasurer</u>	<u>Non-Certificated</u>	<u>Exempt</u>
How Earned	Not Eligible	30 days per year	10-25 days for each service year depending on length of service	10-25 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	30 days Payoff up to 15 days/year unused earned	One Year	Two Years
Vested	As Earned	As Earned	As Earned	As Earned
Termination Entitlement	Paid Upon Termination	Paid upon Termination	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)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	260 Days	300 Days	250 Days	250 Days
Vested	As Earned	As Earned	As Earned	As Earned
Termination Entitlement	35 days plus 25% of unused sick days above 35	35 days plus 25% of unused sick days above 35	35 days plus 25% of unused sick days above 35	35 days plus 25% of unused sick days above 35

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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 position are available. Of the \$4,942,728 in restricted net position, none were restricted by enabling legislation.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**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.

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 position.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers restricted, committed, assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**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.

**Note 3 - Equity in Pooled Cash and Investments**

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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).

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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- (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, 2014, \$2,563,054 of the District's bank balance of \$2,813,054 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, 2014, the District had the following investments:

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$5,470	0.00
STAROhio	4,881,661	0.14
Federal Home Loan Bank	598,878	1.96
Federal Farm Credit Bank	<u>1,500,620</u>	1.22
	<u>\$6,986,629</u>	
Portfolio Weighted Average Maturity		0.53

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. The District’s Investments in Federal Home Loan Bank and Federal Farm Credit Bank were rated AA+ by Standard & Poors and Fitch Ratings and Aaa by Moody’s Investors Service. Investments in STAROhio were rated AAAM by Standards & Poor’s. Investments in Money Market Funds were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 70% of the District’s investments in STAROhio, less than 1% in Money Market Funds, 9% in Federal Home Loan Bank and 21% in Federal Farm Credit Bank.

Custodial Credit Risk – 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.

**Note 4 - Property Taxes**

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Real property taxes collected in 2014 were levied in April on the assessed values as of January 1, 2013, 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.

Real property taxes are payable annually or semi-annually. In 2014, 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. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2014. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2014 on the fund financial statements. The entire amount of delinquent taxes receivable is recognized as revenue in the government-wide financial statements. 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 inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014, was \$8,343,990 for General Fund, \$722,160 for Debt Service Fund and \$1,018,560 for Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2014 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 2014 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$741,392,320
Public Utility	<u>12,607,900</u>
Total	<u><u>\$754,000,220</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2014 consisted of taxes, accounts, interest and intergovernmental receivable. All receivables are considered collectible in full.

**Note 6 - Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$1,436,356	\$0	\$0	\$1,436,356
<b>Capital Assets, being depreciated:</b>				
Buildings and Improvements	82,352,963	24,000	0	82,376,963
Equipment	<u>8,464,822</u>	<u>166,227</u>	<u>0</u>	<u>8,631,049</u>
Totals at Historical Cost	<u>92,254,141</u>	<u>190,227</u>	<u>0</u>	<u>92,444,368</u>
Less Accumulated Depreciation:				
Buildings and Improvements	41,172,407	1,916,048	0	43,088,455
Equipment	<u>5,975,097</u>	<u>591,550</u>	<u>0</u>	<u>6,566,647</u>
Total Accumulated Depreciation	<u>47,147,504</u>	<u>2,507,598</u>	<u>0</u>	<u>49,655,102</u>
Governmental Activities Capital Assets, Net	<u>\$45,106,637</u>	<u>(\$2,317,371)</u>	<u>\$0</u>	<u>\$42,789,266</u>

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,691,803
Special	21,277
Support Services:	
Pupil	5,016
Instructional Staff	57,361
School Administration	38,666
Fiscal	9,450
Business	4,712
Operations and Maintenance	138,611
Pupil Transportation	119,711
Central	249,510
Operation of Non-Instructional Services	52,103
Extracurricular Activities	119,377
Total Depreciation Expense	<u><u>\$2,507,597</u></u>

**Note 7 - Notes Payable**

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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>
2013 Tax Anticipation	3.47%	6/1/2013	6/1/2014	\$3,000,000	\$0	\$3,000,000	\$0
2014 Tax Anticipation	3.47%	6/1/2014	6/1/2015	0	1,500,000	0	1,500,000
				<u>\$3,000,000</u>	<u>\$1,500,000</u>	<u>\$3,000,000</u>	<u>\$1,500,000</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.

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

**Note 8 - Long-Term Liabilities**

	<u>Maturity Dates</u>	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<b>Governmental Activities:</b>						
General Obligation Bonds:						
1999 Refunding Bonds - Current Interest Bonds 4.65%		1,515,000	0	0	1,515,000	0
1999 Refunding Bonds - Capital Appreciation Bonds 4.33%		860,378	0	441,286	419,092	419,092
Accretion of Interest		1,394,857	209,040	783,714	820,183	0
General Obligation Unlimited						
Tax Refunding Bonds						
2010 3.00%	12/1/15	3,245,000	0	1,045,000	2,200,000	1,080,000
Premium on 2010 Refunding Bonds		113,085	0	37,695	75,390	0
School Energy Improvement Bonds						
2010 0.00%	6/1/24	4,875,000	0	435,000	4,440,000	440,000
2013 Refunding Bonds - Current Interest Bonds		7,985,000	0	165,000	7,820,000	0
2013 Refunding Bonds - Capital Appreciation Bonds		340,000	0	0	340,000	0
Accretion of Interest		39,785	95,815	0	135,600	0
Premium on 2013 Refunding Bonds		2,046,893	0	177,991	1,868,902	0
Total General Obligation Bonds		22,414,998	304,855	3,085,686	19,634,167	1,939,092
Compensated Absences		1,591,025	95,639	404,192	1,282,472	252,832
Long-Term Debt		<u>\$24,006,023</u>	<u>\$400,494</u>	<u>\$3,489,878</u>	<u>\$20,916,639</u>	<u>\$2,191,924</u>

General obligation bonds will be paid from the debt service fund and the permanent improvement fund. Compensated absences will be paid from the fund from which the person is paid (usually general and special revenue funds).

On July 21, 2009, the Board of Education of the Loveland City School District issued its \$6,015,000 School Energy Conservation Improvements Bonds (Qualified School Construction Bonds), Series 2009. These bonds are the first Qualified School Construction Bonds ("QSCBs") to be issued in Ohio and the sixth to be issued in the country. Qualified School Construction Bonds are a new type of qualified tax credit bond created under the American Recovery and Reinvestment Act of 2009. The Loveland City School District will use the QSCBs proceeds to construct various energy conservation improvements to their buildings. The QSCBs issued by the Loveland City School District bare a tax credit rate of 7.19% (with no supplemental interest coupon, therefore the District will pay no interest on the QSCBs over their 15 year term) and were rated Aa3 by Moody's Investors Service.

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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

Fiscal Year Ending June 30	General Obligation Bond			Capital Appreciation Bond		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$1,520,000	\$1,706,645	\$3,226,645	\$419,092	\$895,908	\$1,315,000
2016	3,295,000	356,450	3,651,450	0	0	0
2017	1,245,000	242,925	1,487,925	0	0	0
2018	1,305,000	217,875	1,522,875	0	0	0
2019	1,415,000	190,275	1,605,275	0	0	0
2020-2024	5,790,000	657,275	6,447,275	340,000	1,950,000	2,290,000
2025	1,405,000	28,100	1,433,100	0	0	0
				0	0	
Total	<u>\$15,975,000</u>	<u>\$3,399,545</u>	<u>\$19,374,545</u>	<u>\$759,092</u>	<u>\$2,845,908</u>	<u>\$3,605,000</u>

**Note 9 - Prior Year Defeasance of Debt**

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In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2014, \$8,325,000 of bonds outstanding are considered defeased.

**Note 10 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$1,170,552, \$1,160,400, and \$1,028,496, respectively; 83% has been contributed for fiscal years 2014, and 100% has been contributed for 2013 and 2012.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**State Teachers Retirement System of Ohio**

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
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of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$2,954,040, \$3,045,600, and \$2,989,800, respectively; 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 11- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.74%. District contributions for the year ended June 30, 2014, 2013 and 2012 were \$61,872, \$61,335, and \$55,833, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$13,377, \$13,262, and \$105,054, respectively; 83% has been contributed for fiscal years 2014, and 100% has been contributed for 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$211,003, \$217,543, and \$213,557, respectively; 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 12 - Contingent Liabilities**

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**Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**Litigation**

The District is party to legal proceedings. The District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**Note 13 - Jointly Governed Organizations**

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*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 32 school districts. The financial statements for SWOCA are available at 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.

*The Great Oaks Institute of Technology and Career Development* - The Great Oaks Institute of Technology and Career Development, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The District has no ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Note 14 - Risk Management**

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The District constantly faces the risk of loss of assets by fire, storm, theft, accident or other catastrophes. Generally, the District shifts the burden of such losses by entering into a casualty insurance contract whereby an insurance company, in consideration of a premium payment, assumes the risk of all or a portion of these losses. The Ohio Casualty Company provides insurance coverage on the buildings and contents, boiler and machinery, burglary/robbery/theft (inside and outside), and mobile instruction units. Utica also insures our fleet of vehicles and radio and communication equipment.

All employees, volunteers and booster groups are covered under the District's liability policy with Ohio Casualty. The limits of liability are \$4,000,000 for each occurrence and with a \$5,000,000 aggregate.

The Travelers Insurance Company insures the performance bonds. The Superintendent, Board President and Assistant Treasurer are each insured in the amount of \$50,000. In addition, the Treasurer

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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and Business Manager are each insured in the amount of \$100,000. The District uses the State Workers' Compensation plan.

The District maintains a 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 Ohio Casualty for property insurance, fleet insurance, and for liability insurance coverage. Coverage provided by Ohio Casualty is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$107,494,900
Automobile Liability	4,000,000
Uninsured Motorist	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.

Beginning in January, 2013, the District began to self-insure its workers' compensation costs. The District contracts with Hunter Consultants for the service. Expenses for claims are recorded on the current basis based on an actuarially determined charge per employee. The District accounts for the activities of this program in an internal service fund in accordance with GASB Statement No. 10. A summary of the changes in self-insurance workers' compensation claims liability is as follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2013	\$0	\$88,986	\$62,219	\$26,767
2014	26,767	71,873	68,314	30,326

**Note 15 - Insurance Purchasing Pool**

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*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 is 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.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**Note 16 – Accountability**

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Title I	\$6,284
Improving Teacher Quality	11,561

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.

**Note 17 - Fund Balance Reserves for Set-Asides**

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The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula 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.

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set Aside Requirements	787,150
Qualified Disbursements	(440,246)
Current Year Offsets	(346,904)
Set Aside Reserve Balance as of June 30, 2014	<u>\$0</u>
Restricted Cash as of June 30, 2014	<u>\$0</u>

Carried Forward as of June 30, 2014

Qualifying disbursements and current year offsets for capital activity during the year exceeded the amount required for the set-aside.

**Note 18 – Fund Balances**

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



**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

Fund Balances	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total
<b>Restricted for:</b>					
Learning Links	0	0	0	33,230	33,230
Athletic	0	0	0	75,746	75,746
Auxiliary Services	0	0	0	35,930	35,930
Title VI-B Preschool	0	0	0	8,726	8,726
Food Service	0	0	0	74,371	74,371
Debt Service	0	3,194,556	0	0	3,194,556
Capital Projects	0	0	1,526,543	0	1,526,543
<b>Total Restricted</b>	<b>0</b>	<b>3,194,556</b>	<b>1,526,543</b>	<b>228,003</b>	<b>4,949,102</b>
<b>Assigned to:</b>					
Encumbrances	25,342	0	0	0	25,342
Public School Support	331,451	0	0	0	331,451
<b>Total Assigned</b>	<b>356,793</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>356,793</b>
<b>Unassigned (Deficit)</b>	<b>7,465,096</b>	<b>0</b>	<b>0</b>	<b>(17,845)</b>	<b>7,447,251</b>
<b>Total Fund Balance</b>	<b>\$7,821,889</b>	<b>3,194,556</b>	<b>\$1,526,543</b>	<b>\$210,158</b>	<b>\$12,753,146</b>

**Note 19 – Change in Accounting Principles**

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**Note 20 – Prior Period Adjustment**

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In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period's net position as follows:

	<u>Governmental Activities</u>
Net Position - June 30, 2013	\$31,402,576
Prior Period Adjustment:	
Bond Issuance Costs	(177,398)
Restated Net Position - June 30, 2013	<u><u>\$31,225,178</u></u>

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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Loveland City School District, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$24,411,366	\$25,275,539	\$25,276,848	\$1,309
Revenue in lieu of taxes	225,810	233,804	233,816	12
Tuition and Fees	656,558	679,801	679,836	35
Investment Earnings	17,900	18,534	18,535	1
Intergovernmental	14,907,618	15,435,354	15,436,154	800
Charges for Services	37,549	38,878	38,880	2
Other Revenues	49,084	50,821	50,824	3
<b>Total Revenues</b>	<b>40,305,885</b>	<b>41,732,731</b>	<b>41,734,893</b>	<b>2,162</b>
Expenditures:				
Current:				
Instruction:				
Regular	18,997,605	19,873,295	19,702,152	171,143
Special	5,648,913	5,909,298	5,858,409	50,889
Vocational	154,977	162,120	160,724	1,396
Other	868,715	908,758	900,932	7,826
Support Services:				
Pupil	2,954,900	3,091,106	3,064,486	26,620
Instructional Staff	1,180,508	1,234,923	1,224,288	10,635
General Administration	77,281	80,843	80,147	696
School Administration	2,711,841	2,836,843	2,812,413	24,430
Fiscal	973,434	1,018,304	1,009,535	8,769
Business	168,367	176,128	174,611	1,517
Operations and Maintenance	2,460,241	2,573,646	2,551,482	22,164
Pupil Transportation	3,004,012	3,142,481	3,115,419	27,062
Central	398,856	417,241	413,648	3,593
Operation of Non-Instructional Services	2,464	2,577	2,555	22
Extracurricular Activities	777,379	813,212	806,209	7,003
Capital Outlay	29,027	30,365	30,104	261
<b>Total Expenditures</b>	<b>40,408,520</b>	<b>42,271,140</b>	<b>41,907,114</b>	<b>364,026</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(102,635)</b>	<b>(538,409)</b>	<b>(172,221)</b>	<b>366,188</b>
Other Financing Sources (Uses):				
Transfers (Out)	(19,285)	(20,174)	(20,000)	174
<b>Total Other Financing Sources (Uses)</b>	<b>(19,285)</b>	<b>(20,174)</b>	<b>(20,000)</b>	<b>174</b>
<b>Net Change in Fund Balance</b>	<b>(121,920)</b>	<b>(558,583)</b>	<b>(192,221)</b>	<b>366,362</b>
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	3,765,606	3,765,606	3,765,606	0
<b>Fund Balance - End of Year</b>	<b>\$3,643,686</b>	<b>\$3,207,023</b>	<b>\$3,573,385</b>	<b>\$366,362</b>

See accompanying notes to the required supplementary information.

**Loveland City School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2014**

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**Note 1 - Budgetary Process**

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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 2014.

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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) 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 an assignment 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.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

**Loveland City School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2014**

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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 Fund</u>
GAAP Basis	\$2,409,572
Revenue Accruals	(2,493,516)
Expenditures Accruals	22,255
Transfers (Out)	(20,000)
Encumbrances	(109,955)
Funds Budgeted Elsewhere	<u>(577)</u>
Budget Basis	<u><u>(\$192,221)</u></u>

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**LOVELAND CITY SCHOOL DISTRICT**



**Single Audit Reports**

**June 30, 2014**

**PLATTENBURG**  
Certified Public Accountants

**LOVELAND CITY SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
National School Lunch Program	3L60	10.555	\$278,884	\$29,056	\$278,884	\$29,056
Total Nutrition Cluster			278,884	29,056	278,884	29,056
Total U.S. Department of Agriculture			278,884	29,056	278,884	29,056
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	883,375	0	846,779	0
Special Education-Preschool Grants	3C50	84.173	15,383	0	15,622	0
Total Special Education Cluster			898,758	0	862,401	0
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	373,786	0	354,236	0
Total Title I Cluster			373,786	0	354,236	0
Improving Teacher Quality	3Y60	84.367	93,106	0	85,945	0
Race to the Top Fund - ARRA	3FD0	84.395	373	0	0	0
Passed Through Great Oaks Institute of Technology & Career Development:						
Career & Technical Education - Basic Grants to States (Perkins)	3Y70	84.048	8,000	0	8,000	0
Total Department of Education			1,374,023	0	1,310,582	0
Total Federal Assistance			\$1,652,907	\$29,056	\$1,589,466	\$29,056

**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 using the cash basis of accounting.



**INDEPENDENT AUDITOR'S 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***

Board of Education  
Loveland City School District

We have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2014, wherein we noted the District adopted GASB No. 65 as disclosed in Note 19.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 9, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education  
Loveland City School District

**Report on Compliance for Each Major Federal Program**

We have audited the Loveland City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 9, 2014, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB No. 65 as disclosed in Note 19. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 9, 2014

**LOVELAND CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**Section I – Summary of Auditor’s Results**

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	<u>Special Education Cluster:</u> Special Education-Grants to States-CFDA# 84.027 Special Education-Preschool Grants-CFDA# 84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**LOVELAND CITY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
***OMB CIRCULAR A-133***  
**JUNE 30, 2014**

**Summary of Prior Audit Findings and Questioned Costs:**

**2013-001 Finding Type —Material noncompliance at the financial statement level**

For the fiscal year ended June 30, 2014 the District was cited in connection with Ohio Revised Code §5705.39 and §5705.41(A) for appropriation of bond issue expenditures that exceeded the estimated revenue available for expenditure as certified by the budget commission on the official certificate of estimated resources.

**Status: Corrected.**



# Dave Yost • Auditor of State

**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  
MARCH 10, 2015**