



OHIO AUDITOR OF STATE
KEITH FABER



**LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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HAMILTON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Loveland City School District
Hamilton County
757 S Lebanon Rd
Loveland, Ohio 45140

To the Board of Education:

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, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Loveland City School District, Hamilton County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, required budgetary comparison schedule and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Keith Faber
Auditor of State

Columbus, Ohio

March 2, 2020

Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

The discussion and analysis of Loveland City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- Net position of governmental activities increased \$3,674,214 which represents a 59% increase from 2018.
- General revenues accounted for \$53,403,941 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,031,078 or 12% of total revenues of \$60,435,019.
- The District had \$56,760,805 in expenses related to governmental activities; \$7,031,078 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$53,403,941 were also used 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 Fund is the major fund 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 2019?" The Government-wide Financial Statements answers this question. These statements include *all assets and deferred outflows*, and *liabilities and deferred inflows* 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
For the Fiscal Year Ended June 30, 2019
(Unaudited)

These two statements report the District's *net position* and changes in the net position. 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 fund 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.

Proprietary Fund When services are provided to another department of the District, the service is reported as an internal service fund. The District has one internal service fund.

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

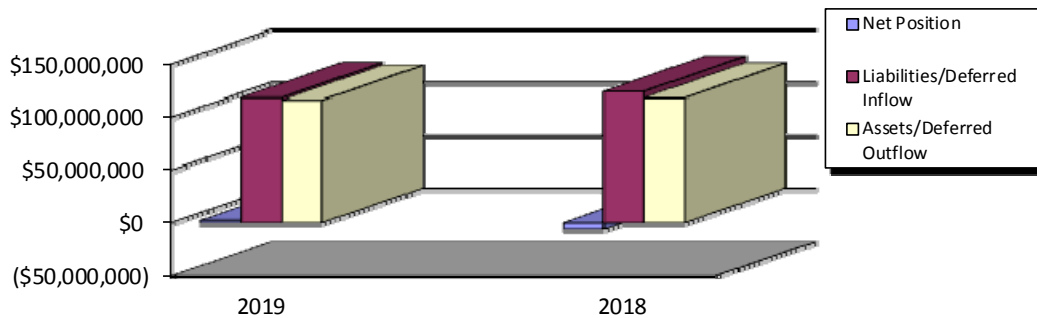
Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for 2019 compared to 2018:

Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2019	2018
Assets:		
Current and Other Assets	\$56,371,920	\$58,678,211
Net OPEB Asset	3,492,780	0
Capital Assets	37,526,533	38,211,497
Total Assets	97,391,233	96,889,708
Deferred Outflows of Resources:		
Deferred Charge on Refunding	37,707	44,563
OPEB	1,024,534	743,713
Pension	17,527,134	20,482,981
Total Deferred Outflows of Resources	18,589,375	21,271,257
Liabilities:		
Other Liabilities	6,122,426	5,873,957
Long-Term Liabilities	78,873,195	90,642,048
Total Liabilities	84,995,621	96,516,005
Deferred Inflows of Resources:		
Property Taxes	23,399,771	23,466,913
Grants and Other Taxes	469,260	518,546
OPEB	5,984,425	1,626,529
Pension	3,661,670	2,237,325
Total Deferred Inflows of Resources	33,515,126	27,849,313
Net Position:		
Net Investment in Capital Assets	28,229,450	27,583,960
Restricted	4,714,442	5,021,628
Unrestricted	(35,474,031)	(38,809,941)
Total Net Position	(\$2,530,139)	(\$6,204,353)



Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,530,139.

At year end, capital assets represented 39% 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, 2019, totaled \$28,229,450. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,714,442, represents resources that are subject to external restriction on how they must be used. The remaining balance is unrestricted net position of (\$35,474,031). 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 decrease in net pension liability and net other post employment benefits liability.

Table 2 shows the change in net position for fiscal year 2019 with comparisons to fiscal year 2018.

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Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2019	2018
Program Revenues:		
Charges for Services and Sales	\$2,351,153	\$2,519,222
Operating Grants and Contributions	4,679,925	4,311,490
General Revenue:		
Property Taxes	35,729,791	39,886,843
Grants and Entitlements	15,941,049	16,080,473
Other	1,733,101	1,080,146
Total Revenues	<u>60,435,019</u>	<u>63,878,174</u>
Program Expenses:		
Instruction	33,024,903	18,020,222
Support Services:		
Pupil and Instructional Staff	5,972,530	3,497,740
General and School Administrative, Fiscal and Business	4,764,525	1,601,976
Operations and Maintenance	3,836,568	2,527,497
Pupil Transportation	4,065,071	2,683,677
Central	1,304,888	801,692
Operation of Non-Instructional Services	1,768,540	1,340,451
Extracurricular Activities	1,674,924	1,029,004
Interest and Fiscal Charges	<u>348,856</u>	<u>293,245</u>
Total Expenses	<u>56,760,805</u>	<u>31,795,504</u>
Change in Net Position	3,674,214	32,082,670
Beginning - Net Position	<u>(6,204,353)</u>	<u>(38,287,023)</u>
Ending - Net Position	<u><u>(\$2,530,139)</u></u>	<u><u>(\$6,204,353)</u></u>

The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 85% 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 0.5 mills and the owner would still pay \$35.00.

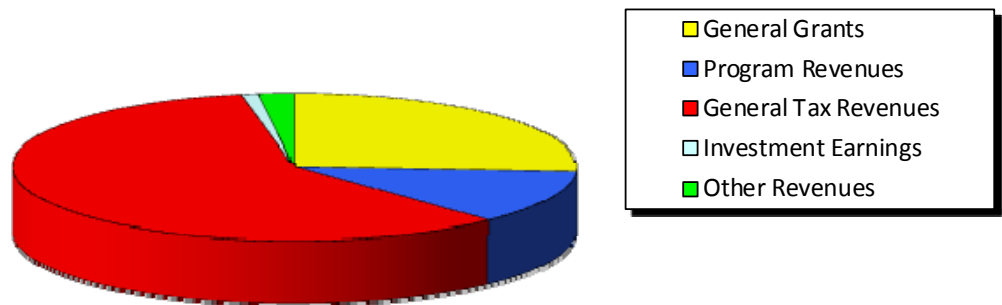
Loveland City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

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 59% of revenue for governmental activities for the District in fiscal year 2019.

Overall, expenses increased \$24,965,301 million, which is primarily due to changes in assumptions and benefits by the statewide pension systems which caused the appearance of a large increase in overall expenses.

Governmental Activities
Revenue Sources

<u>Revenue Sources</u>	<u>2019</u>	<u>Percentage</u>
General Grants	\$15,941,049	26%
Program Revenues	7,031,078	12%
General Tax Revenues	35,729,791	59%
Investment Earnings	575,398	1%
Other Revenues	1,157,703	2%
Total Revenue Sources	\$60,435,019	100%



Instruction comprises 58% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses including interest and fiscal charges were 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenue decreased in 2019 due to fluctuations in property tax advances available from year to year. Total Expenses increased mainly due to changes related to net pension liability and other post employment benefits liability.

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.

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Loveland City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$33,024,903	\$18,020,222	(\$28,983,079)	(\$14,044,397)
Support Services:				
Pupil and Instructional Staff	5,972,530	3,497,740	(5,538,600)	(3,214,483)
General and School Administrative, Fiscal and Business	4,764,525	1,601,976	(4,745,887)	(1,593,559)
Operations and Maintenance	3,836,568	2,527,497	(3,783,281)	(2,494,445)
Pupil Transportation	4,065,071	2,683,677	(3,952,672)	(2,574,702)
Central	1,304,888	801,692	(1,294,088)	(801,692)
Operation of Non-Instructional Services	1,768,540	1,340,451	(52,325)	422,766
Extracurricular Activities	1,674,924	1,029,004	(1,030,939)	(371,035)
Interest and Fiscal Charges	348,856	293,245	(348,856)	(293,245)
Total Expenses	<u>\$56,760,805</u>	<u>\$31,795,504</u>	<u>(\$49,729,727)</u>	<u>(\$24,964,792)</u>

The District’s Funds

The District has one major governmental fund: the General Fund. Assets of this fund comprised \$48,044,181 (86%) of the total \$55,898,151 governmental funds’ assets.

General Fund: Fund balance at June 30, 2019 was \$20,543,570, a decrease in fund balance of \$2,419,853 from 2018. The primary reason for the decrease in fund balance was due to a decrease in property tax revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, 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 \$49,561,786, compared to original budget estimates of \$49,073,286. Of the \$488,500 difference, most was due to an underestimate for taxes and intergovernmental revenue.

The District’s ending unobligated cash balance for the general fund was \$14,822,183.

Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$37,526,533 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2019 balances compared to fiscal year 2018:

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

	Governmental Activities	
	2019	2018
Land	\$1,436,356	\$1,436,356
Construction in Progress	0	27,334
Buildings and Improvements	32,032,946	33,542,723
Equipment	4,057,231	3,205,084
Total Net Capital Assets	<u>\$37,526,533</u>	<u>\$38,211,497</u>

The decrease in capital assets is due to 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, 2019, the District had \$10,459,932 in debt outstanding, \$1,816,548 due within one year. Table 5 summarizes total debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2019	2018
Bonds Payable:		
Refunding Bonds:		
2010 School Energy Improvement Bonds	\$2,240,000	\$2,680,000
2013 Refunding Bonds - Current Interest Bonds	4,955,000	5,930,000
2013 Refunding Bonds - Capital Appreciation Bonds	340,000	340,000
Accretion of Interest	1,125,142	829,917
Premium on 2013 Refunding Bonds	978,947	1,156,938
Capital Lease Payable:		
Bus Lease for 2 Buses	47,022	69,727
Bus Lease for 8 Buses	194,770	288,818
Bus Lease for 5 Buses	104,583	206,617
Bus Lease for 7 Buses	474,468	0
Total Outstanding Debt at Year End	<u>\$10,459,932</u>	<u>\$11,502,017</u>

See Note 7 and 8 in the notes to the basic financial statements for the details on the District's long-term

Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

obligations.

For the Future

School funding in the State of Ohio is still in a “fluid” situation. Even though the Governor's 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.

The District's AA2 rating from Moody's was recently reaffirmed for its fiscal and management strengths.

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 the Treasurer at Loveland City School District, 757 South Lebanon Road, Loveland, Ohio 45140.

Loveland City School District, Ohio
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$19,123,568
Receivables (Net):	
Taxes	36,434,472
Interest	10,540
Intergovernmental	774,091
Inventory	29,249
Nondepreciable Capital Assets	1,436,356
Depreciable Capital Assets, Net	36,090,177
Net OPEB Asset	3,492,780
	<u>97,391,233</u>
Total Assets	
Deferred Outflows of Resources:	
Deferred Charge on Refunding	37,707
Pension	17,527,134
OPEB	1,024,534
	<u>18,589,375</u>
Total Deferred Outflows of Resources	
Liabilities:	
Accounts Payable	44,648
Accrued Wages and Benefits	5,961,362
Accrued Interest Payable	50,077
Claims Payable	66,339
Long-Term Liabilities:	
Due Within One Year	2,069,077
Due In More Than One Year	
Net Pension Liability	60,915,823
Net OPEB Liability	6,455,865
Other Amounts	9,432,430
	<u>84,995,621</u>
Total Liabilities	
Deferred Inflows of Resources:	
Property Taxes	23,399,771
Grants and Other Taxes	469,260
Pension	3,661,670
OPEB	5,984,425
	<u>33,515,126</u>
Total Deferred Inflows of Resources	
Net Position:	
Net Investment in Capital Assets	28,229,450
Restricted for:	
Debt Service	2,440,500
Capital Projects	2,150,674
Learning Links	17,534
Athletic	72,900
Federal Grants	31,523
Other Purposes	1,311
Unrestricted	(35,474,031)
	<u>(\$2,530,139)</u>
Total Net Position	

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$23,545,919	\$763,515	\$565,023	(\$22,217,381)
Special	8,399,606	58,203	2,418,614	(5,922,789)
Vocational	102,328	0	68,340	(33,988)
Other	977,050	82,957	85,172	(808,921)
Support Services:				
Pupil	3,963,148	0	178,915	(3,784,233)
Instructional Staff	2,009,382	0	255,015	(1,754,367)
General Administration	115,244	0	0	(115,244)
School Administration	3,211,928	18,638	0	(3,193,290)
Fiscal	1,223,821	0	0	(1,223,821)
Business	213,532	0	0	(213,532)
Operations and Maintenance	3,836,568	25,475	27,812	(3,783,281)
Pupil Transportation	4,065,071	0	112,399	(3,952,672)
Central	1,304,888	0	10,800	(1,294,088)
Operation of Non-Instructional Services	1,768,540	758,900	957,315	(52,325)
Extracurricular Activities	1,674,924	643,465	520	(1,030,939)
Interest and Fiscal Charges	348,856	0	0	(348,856)
Totals	\$56,760,805	\$2,351,153	\$4,679,925	(49,729,727)

General Revenues:

Property Taxes Levied for:

General Purposes	31,250,898
Debt Service Purposes	1,250,184
Capital Projects Purposes	3,228,709
Grants and Entitlements, Not Restricted	15,941,049
Revenue in Lieu of Taxes	471,363
Unrestricted Contributions	19,115
Investment Earnings	575,398
Other Revenues	667,225

Total General Revenues 53,403,941

Change in Net Position 3,674,214

Net Position - Beginning of Year (6,204,353)

Net Position - End of Year (\$2,530,139)

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$15,351,915	\$3,226,837	\$18,578,752
Receivables (Net):			
Taxes	32,141,419	4,293,053	36,434,472
Interest	10,540	0	10,540
Intergovernmental	469,260	304,831	774,091
Interfund	71,047	0	71,047
Inventory	0	29,249	29,249
Total Assets	48,044,181	7,853,970	55,898,151
Liabilities:			
Accounts Payable	9,648	35,000	44,648
Accrued Wages and Benefits	5,604,870	356,492	5,961,362
Compensated Absences	87,178	36,821	123,999
Interfund Payable	0	71,047	71,047
Total Liabilities	5,701,696	499,360	6,201,056
Deferred Inflows of Resources:			
Property Taxes	21,320,835	2,745,738	24,066,573
Grants and Other Taxes	469,260	188,176	657,436
Investment Earnings	8,820	0	8,820
Total Deferred Inflows of Resources	21,798,915	2,933,914	24,732,829
Fund Balances:			
Restricted	0	4,680,519	4,680,519
Assigned	5,134,161	0	5,134,161
Unassigned	15,409,409	(259,823)	15,149,586
Total Fund Balances	20,543,570	4,420,696	24,964,266
Total Liabilities, Deferred Inflows and Fund Balances	\$48,044,181	\$7,853,970	\$55,898,151

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, 2019

Total Governmental Fund Balance		\$24,964,266
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		37,526,533
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	\$666,802	
Interest	8,820	
Intergovernmental	188,176	
		863,798
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		478,477
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.		
		(50,077)
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		(917,576)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		37,707
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$17,527,134	
Deferred inflows of resources related to pensions	(3,661,670)	
Deferred outflows of resources related to OPEB	1,024,534	
Deferred inflows of resources related to OPEB	(5,984,425)	
		8,905,573
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	\$3,492,780	
Net Pension Liability	(60,915,823)	
Net OPEB Liability	(6,455,865)	
Other Amounts	(10,459,932)	
		(74,338,840)
Net Position of Governmental Activities		(\$2,530,139)

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, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$31,253,998	\$4,481,422	\$35,735,420
Tuition and Fees	989,059	0	989,059
Investment Earnings	539,785	35,484	575,269
Intergovernmental	17,345,625	3,139,865	20,485,490
Extracurricular Activities	273,106	285,977	559,083
Charges for Services	18,638	758,900	777,538
Revenue in Lieu of Taxes	471,346	0	471,346
Other Revenues	674,347	41,257	715,604
Total Revenues	51,565,904	8,742,905	60,308,809
Expenditures:			
Current:			
Instruction:			
Regular	24,008,674	1,219,056	25,227,730
Special	8,304,187	996,846	9,301,033
Vocational	117,903	0	117,903
Other	918,412	88,211	1,006,623
Support Services:			
Pupil	4,094,408	178,626	4,273,034
Instructional Staff	1,782,600	275,840	2,058,440
General Administration	118,095	0	118,095
School Administration	3,509,827	72,557	3,582,384
Fiscal	1,255,067	54,540	1,309,607
Business	240,396	0	240,396
Operations and Maintenance	3,311,747	738,699	4,050,446
Pupil Transportation	3,868,690	591,447	4,460,137
Central	834,409	328,803	1,163,212
Operation of Non-Instructional Services	4,160	1,773,775	1,777,935
Extracurricular Activities	1,404,438	303,956	1,708,394
Capital Outlay	212,744	1,122,384	1,335,128
Debt Service:			
Principal Retirement	0	1,761,326	1,761,326
Interest and Fiscal Charges	0	205,686	205,686
Total Expenditures	53,985,757	9,711,752	63,697,509
Excess of Revenues Over (Under) Expenditures	(2,419,853)	(968,847)	(3,388,700)
Other Financing Sources (Uses):			
Issuance of Capital Leases	0	602,007	602,007
Total Other Financing Sources (Uses)	0	602,007	602,007
Net Change in Fund Balance	(2,419,853)	(366,840)	(2,786,693)
Fund Balance - Beginning of Year	22,963,423	4,787,536	27,750,959
Fund Balance - End of Year	\$20,543,570	\$4,420,696	\$24,964,266

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, 2019

Net Change in Fund Balance - Total Governmental Funds		(\$2,786,693)
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	\$1,489,006	
Depreciation Expense	<u>(2,173,970)</u>	(684,964)
Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.		
District pension contributions	\$4,784,333	
Cost of benefits earned net of employee contributions - Pension	(6,212,167)	
District OPEB contributions	170,756	
Cost of benefits earned net of employee contributions - OPEB	<u>7,288,710</u>	6,031,632
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(\$5,629)	
Interest	129	
Intergovernmental	<u>131,710</u>	126,210
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.		
		1,761,326
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		(19,080)
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	(\$161,352)	
Amortization of Bond Premium	177,991	
Amortization of Deferred Charge on Refunding	(6,856)	
Bond Accretion	<u>(295,225)</u>	(285,442)
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		133,232
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		
		<u>(602,007)</u>
Change in Net Position of Governmental Activities		<u><u>\$3,674,214</u></u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio
Statement of Net Position
Proprietary Fund
June 30, 2019

	<u>Governmental Activities- Internal Service Fund</u>
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$544,816</u>
Total Assets	<u>544,816</u>
Liabilities:	
Current Liabilities:	
Claims Payable	<u>66,339</u>
Total Liabilities	<u>66,339</u>
Net Position:	
Unrestricted	<u>478,477</u>
Total Net Position	<u>\$478,477</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, 2019

	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	<u>\$236,103</u>
Total Operating Revenues	<u>236,103</u>
Operating Expenses:	
Contactual Services	78,825
Claims	<u>24,046</u>
Total Operating Expenses	<u>102,871</u>
Change in Net Position	133,232
Net Position - Beginning of Year	<u>345,245</u>
Net Position - End of Year	<u><u>\$478,477</u></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, 2019

	<u>Governmental Activities- Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$236,103
Cash Payments to Suppliers	(78,825)
Cash Payments for Claims	<u>(9,419)</u>
Net Cash Provided (Used) by Operating Activities	<u>147,859</u>
Net Increase (Decrease) in Cash and Cash Equivalents	147,859
Cash and Cash Equivalents - Beginning of Year	<u>396,957</u>
Cash and Cash Equivalents - End of Year	<u><u>544,816</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	133,232
Changes in Assets & Liabilities:	
Increase (Decrease) in Claims Payables	<u>14,627</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$147,859</u></u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$1,223	\$231,715
Total Assets	<u>1,223</u>	<u>231,715</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>231,715</u>
Total Liabilities	<u>0</u>	<u>\$231,715</u>
Net Position:		
Held in Trust	<u>1,223</u>	
Total Net Position	<u>\$1,223</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, 2019

	Private Purpose Trust
Additions:	
Donations	<u>\$3,000</u>
Total Additions	<u>3,000</u>
Deductions:	
Scholarships	<u>2,437</u>
Total Deductions	<u>2,437</u>
Change in Net Position	563
Net Position - Beginning of Year	<u>660</u>
Net Position - End of Year	<u>\$1,223</u>

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, 2019

Note 1 - Description of the District

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

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

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

Reporting Entity

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. Columban 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. These organizations are:

- Jointly Governed Organizations:
 - The Southwest Ohio Computer Association
 - Great Oaks Career Campuses
 - Greater Cincinnati Insurance Consortium

These organizations are presented in Note 12.

Note 2 - Summary of Significant Accounting Policies

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

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

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., 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

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

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

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.

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 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

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

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.

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, interest, 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 represent 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. For the District, deferred outflows of resources includes deferred charge on refunding, pension, and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

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 until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, grants and other taxes (which include tax incremental financing 'TIF'), and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance year 2020 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes (which include tax incremental financing 'TIF') have been recorded on both the government-wide statement of net position and the governmental fund financial statements. Investment earnings have been recorded as deferred inflows on the

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

governmental fund financial statements. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

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.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 \$539,785 and \$35,484 credited to other governmental funds.

Inventory

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

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

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 acquisition 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

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Compensated Absences

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

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

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

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

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

<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

Any new administrators hired in FY2019 or later work on a 260 day per year contract and receive 24 days of vacation they must use or lose every year.

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 \$4,714,442 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, 2019

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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

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 applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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. Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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. Except as noted above, 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2019, \$1,951,953 of the District's bank balance of \$2,201,953 was exposed to custodial credit risk because it was uninsured and collateralized.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2019, the District had the following investments:

	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$250,100	Level 2	2.25
Money Market Funds	60,691	N/A	0.00
STAR Ohio	14,911,341	N/A	0.13
Negotiable CDs	1,959,125	Level 2	1.64
Total Investments	<u>\$17,181,257</u>		
Portfolio Weighted Average Maturity			0.35

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2019. STAR Ohio is reported at its share price (Net Asset value per share).

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 were rated AAA by Standard & Poor's and Fitch ratings and Aaa by Moody's Investment Service. Investments in Star Ohio were rated AAAM by Standard and Poor's. Investments in Money Market Funds and negotiable CD's were not rated.

Concentration of Credit Risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 87% in Star Ohio, less than 1% in Money Market Funds, 11% in negotiable CD's, and 1% in Federal Home Loan 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.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

Note 4 - Property Taxes

Real property taxes collected in 2019 were levied in April on the assessed values as of January 1, 2017, 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 2019, 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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2019. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2019 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, 2019, was \$10,820,584 for General Fund, \$429,817 for Debt Service Fund and \$1,117,498 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 2019 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 2019 taxes were collected are:

	Amount
Agricultural/Residential and Other Real Estate	\$447,583,096
Public Utility	10,287,690
Total	<u>\$457,870,786</u>

Note 5 – Receivables

Receivables at June 30, 2019 consisted of taxes, interest, intergovernmental grants, and interfund. All receivables are considered collectible in full.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,436,356	\$0	\$0	\$1,436,356
Construction in Progress	27,334	0	27,334	0
Capital Assets, being depreciated:				
Buildings and Improvements	84,099,364	9,463	0	84,108,827
Equipment	9,608,021	1,506,877	0	11,114,898
Totals at Historical Cost	<u>95,171,075</u>	<u>1,516,340</u>	<u>27,334</u>	<u>96,660,081</u>
Less Accumulated Depreciation:				
Buildings and Improvements	50,556,641	1,519,240	0	52,075,881
Equipment	6,402,937	654,730	0	7,057,667
Total Accumulated Depreciation	<u>56,959,578</u>	<u>2,173,970</u>	<u>0</u>	<u>59,133,548</u>
Governmental Activities Capital Assets, Net	<u>\$38,211,497</u>	<u>(\$657,630)</u>	<u>\$27,334</u>	<u>\$37,526,533</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,466,716
Special	18,446
Support Services:	
Pupil	4,348
Instructional Staff	49,729
School Administration	33,522
Fiscal	8,193
Business	4,085
Operations and Maintenance	120,169
Pupil Transportation	103,784
Central	216,313
Operation of Non-Instructional Services	45,171
Extracurricular Activities	103,494
Total Depreciation Expense	<u>\$2,173,970</u>

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Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

Note 7 - Long-Term Liabilities

	Maturity Dates	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
School Energy Improvement Bonds 2010 0.00%	6/1/24	\$2,680,000	\$0	\$440,000	\$2,240,000	\$440,000
2013 Refunding Bonds - Current Interest Bonds 3.00%		5,930,000	0	975,000	4,955,000	1,040,000
2013 Refunding Bonds - Capital Appreciation Bonds 3.00%		340,000	0	0	340,000	0
Accretion of Interest		829,917	295,225	0	1,125,142	0
Premium on 2013 Refunding Bonds		1,156,938	0	177,991	978,947	0
Subtotal Bonds		10,936,855	295,225	1,592,991	9,639,089	1,480,000
Capital Leases		565,162	602,007	346,326	820,843	336,548
Compensated Absences		772,224	523,202	253,851	1,041,575	252,529
Subtotal Bonds and Other Amounts		12,274,241	1,420,434	2,193,168	11,501,507	2,069,077
Net Pension Liability:						
STRS		50,042,794	0	2,249,848	47,792,946	0
SERS		13,825,388	0	702,511	13,122,877	0
Total Net Pension Liability		63,868,182	0	2,952,359	60,915,823	0
Net OPEB Liability:						
STRS		8,219,186	0	8,219,186	0 (a)	0
SERS		6,280,439	175,426	0	6,455,865	0
Total Net OPEB Liability		14,499,625	175,426	8,219,186	6,455,865	0
Total Long-Term Obligations		<u>\$90,642,048</u>	<u>\$1,595,860</u>	<u>\$13,364,713</u>	<u>\$78,873,195</u>	<u>\$2,069,077</u>

(a) OPEB for STRS has a net OPEB asset in the amount of \$3,492,780 as of June 30, 2019.

General obligation bonds and capital leases will be paid from the debt service fund and the permanent improvement fund. The District pays obligations related to employee compensation from the fund benefitting from their service.

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.

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$1,480,000	\$160,050	\$1,640,050	\$0	\$0	\$0
2021	450,000	144,450	594,450	180,000	925,000	1,105,000
2022	450,000	144,450	594,450	160,000	1,025,000	1,185,000
2023	1,665,000	126,225	1,791,225	0	0	0
2024	1,745,000	82,100	1,827,100	0	0	0
2025	1,405,000	28,100	1,433,100	0	0	0
				0	0	
Total	<u>\$7,195,000</u>	<u>\$685,375</u>	<u>\$7,880,375</u>	<u>\$340,000</u>	<u>\$1,950,000</u>	<u>\$2,290,000</u>

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

Note 8 - Capital Leases

In 2019 and 2017 the District entered into capital leases for buses.

The leases for the buses meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the Permanent Improvement Fund. The gross amount of assets acquired under capital leases is \$1,707,457 in equipment.

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

Fiscal Year Ending June 30	Capital Leases
2020	\$361,737
2021	254,539
2022	129,359
2023	129,359
Total Minimum Lease Payments	\$874,994
Amount Representing Interest	(54,151)
Present Value of Minimum Lease Payments	<u>\$820,843</u>

Note 9 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension and OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions and OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$1,109,261 for fiscal year 2019. Of this amount \$113,502 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$3,675,072 for fiscal year 2019. Of this amount \$617,268 is reported as accrued wages and benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$13,122,877	\$47,792,946	\$60,915,823
Proportion of the Net Pension Liability:			
Current Measurement Date	0.22913310%	0.21736165%	
Prior Measurement Date	<u>0.23139580%</u>	<u>0.21066025%</u>	
Change in Proportionate Share	<u>-0.00226270%</u>	<u>0.00670140%</u>	
Pension Expense	\$994,590	\$5,217,577	\$6,212,167

At June 30, 2019, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$719,707	\$1,103,208	\$1,822,915
Changes of assumptions	296,343	8,469,811	8,766,154
Changes in employer proportionate share of net pension liability	70,122	2,083,610	2,153,732
Contributions subsequent to the measurement date	<u>1,109,261</u>	<u>3,675,072</u>	<u>4,784,333</u>
Total Deferred Outflows of Resources	<u>\$2,195,433</u>	<u>\$15,331,701</u>	<u>\$17,527,134</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$312,116	\$312,116
Net difference between projected and actual earnings on pension plan investments	363,595	2,898,112	3,261,707
Changes in employer proportionate share of net pension liability	<u>87,847</u>	<u>0</u>	<u>87,847</u>
Total Deferred Inflows of Resources	<u>\$451,442</u>	<u>\$3,210,228</u>	<u>\$3,661,670</u>

\$4,784,333 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	\$964,549	\$4,821,325	\$5,785,874
2021	212,349	3,307,913	3,520,262
2022	(430,657)	687,657	257,000
2023	<u>(111,511)</u>	<u>(370,494)</u>	<u>(482,005)</u>
Total	<u>\$634,730</u>	<u>\$8,446,401</u>	<u>\$9,081,131</u>

Loveland City School District, Ohio
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Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$18,484,562	\$13,122,877	\$8,627,463

Assumption and Benefit Changes Since the Prior Measurement Date

With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

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Inflation	2.50%
Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	<u>1.00%</u>	2.25%
Total	<u>100.00%</u>	

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Loveland City School District, Ohio
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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45 percent or one percentage point higher 8.45 percent than the current discount rate:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$69,795,307	\$47,792,946	\$29,170,934

Assumption and Benefit Changes since the Prior Measurement Date

There were no changes in assumptions or benefit terms since the prior measurement date.

Note 10 - Defined Benefit OPEB Plans

See note 9 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in

Loveland City School District, Ohio
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accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$129,672.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$170,756 for fiscal year 2019. Of this amount \$113,502 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$6,455,865	\$0	\$6,455,865
Proportionate Share of the Net OPEB (Asset)	0	(3,492,780)	(3,492,780)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.23270500%	0.21736165%	
Prior Measurement Date	<u>0.23401840%</u>	<u>0.21066025%</u>	
Change in Proportionate Share	<u>-0.00131340%</u>	<u>0.00670140%</u>	
OPEB Expense	\$226,917	(\$7,515,627)	(\$7,288,710)

At June 30, 2019, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$105,382	\$407,963	\$513,345
Changes in employer proportionate share of net OPEB liability	0	340,433	340,433
Contributions subsequent to the measurement date	<u>170,756</u>	<u>0</u>	<u>170,756</u>
Total Deferred Outflows of Resources	<u>\$276,138</u>	<u>\$748,396</u>	<u>\$1,024,534</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$203,501	\$203,501
Changes of assumptions	580,011	4,759,190	5,339,201
Net difference between projected and actual earnings on OPEB plan investments	9,686	399,020	408,706
Changes in employer proportionate share of net OPEB liability	<u>33,017</u>	<u>0</u>	<u>33,017</u>
Total Deferred Inflows of Resources	<u>\$622,714</u>	<u>\$5,361,711</u>	<u>\$5,984,425</u>

\$170,756 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	(\$242,296)	(\$826,783)	(\$1,069,079)
2021	(190,712)	(826,783)	(1,017,495)
2022	(27,365)	(826,782)	(854,147)
2023	(23,242)	(736,162)	(759,404)
2024	(23,913)	(704,372)	(728,285)
Thereafter	<u>(9,804)</u>	<u>(692,433)</u>	<u>(702,237)</u>
Total	<u>(\$517,332)</u>	<u>(\$4,613,315)</u>	<u>(\$5,130,647)</u>

Loveland City School District, Ohio
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Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30 2018, are presented below:

Inflation	3.00%
Wage Increases	3.50% to 18.20%
Investment Rate of Return	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62%
Prior Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.70%
Prior Measurement Date	3.63%
Medical Trend Assumption:	
Medicare	5.375% to 4.75%
Pre-Medicare	7.25% to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-

Loveland City School District, Ohio
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normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	<u>10.00%</u>	3.00%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70 percent) and higher (4.70

Loveland City School District, Ohio
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percent) than the current discount rate (3.70 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Proportionate share of the net OPEB liability	\$7,833,685	\$6,455,865	\$5,364,890

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$5,208,699	\$6,455,865	\$8,107,337

Assumption and Benefit Changes since the Prior Measurement Date

The following changes in key methods and assumptions as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30 2018, actuarial valuation are presented below:

Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical:	
Pre-Medicare	6% initial, 4% ultimate
Medicare	5% initial, 4% ultimate
Prescription Drug:	
Pre-Medicare	8% initial, 4% ultimate
Medicare	(5.23%) initial, 4% ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

*10 year annualized geometric nominal returns, which includes the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB (asset) as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one

Loveland City School District, Ohio
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percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$2,993,639)	(\$3,492,780)	(\$3,912,284)

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$3,888,602)	(\$3,492,780)	(\$3,090,791)

Assumption and Benefit Changes since the Prior Measurement Date

The discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

Note 11 - Contingent Liabilities

School Foundation

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

Grants

The 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, 2019, if applicable, cannot be determined at this time.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

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.

Note 12 - Jointly Governed Organizations

The Southwest Ohio Computer Association - The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of Ohio school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 32 school districts. The financial statements for SWOCA are available at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45012.

Great Oaks Career Campuses - Great Oaks Career Campuses (Great Oaks), 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.

Greater Cincinnati Insurance Consortium – The District is a member of the Greater Cincinnati Insurance Consortium (GCIC) which is a group insurance consortium. The Consortium is a jointly governed organization with member governmental entities and provides a wide range of group insurance benefits to each member schools employees and dependents and designated beneficiaries. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits to employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors made up from one representative of each school district/service center. Financial information can be obtained from the Greater Cincinnati Insurance Consortium at 11083 Hamilton Avenue, Cincinnati, Ohio 45231.

Note 13 - Risk Management

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. USI Insurance Services provides insurance coverage on the buildings and contents, boiler and machinery, burglary/robbery/theft (inside and outside), and mobile instruction units. USI Insurance 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. The limits of liability are \$4,000,000 for each occurrence and with a \$5,000,000 aggregate.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

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 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 USI Insurance for property insurance, fleet insurance, and for liability insurance coverage. Coverage provided by USI Insurance is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$120,903,693
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>
2019	\$51,712	\$24,046	\$9,419	\$66,339
2018	27,622	47,137	23,047	51,712

Note 14 – Accountability

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

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
Title VI-B Preschool	\$131,948
Title I	84,950
Improving Teacher Quality	28,414
Food Services	10,470
Miscellaneous State Grants	4,041

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.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

Note 15 - Fund Balance Reserves for Set-Asides

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2018	\$0
Current Year Set Aside Requirements	801,152
Qualified Disbursements	(1,743,299)
Current Year Offsets	0
Set Aside Reserve Balance as of June 30, 2019	<u>(\$942,147)</u>
Restricted Cash as of June 30, 2019	<u>\$0</u>

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

Note 16 – Fund Balances

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:

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
Learning Links	\$0	\$17,534	\$17,534
Athletic	0	72,900	72,900
Auxiliary Services	0	17,830	17,830
EHA Preschool	0	13,156	13,156
Debt Service	0	2,431,853	2,431,853
Continuous Improvement Grant	0	1,846	1,846
Capital Projects	0	2,125,400	2,125,400
Total Restricted	<u>0</u>	<u>4,680,519</u>	<u>4,680,519</u>
Assigned to:			
Encumbrances	338,575	0	338,575
Public School Support	275,504	0	275,504
Budgetary Resource	4,520,082	0	4,520,082
Total Assigned	<u>5,134,161</u>	<u>0</u>	<u>5,134,161</u>
Unassigned (Deficit)	<u>15,409,409</u>	<u>(259,823)</u>	<u>15,149,586</u>
Total Fund Balance	<u>\$20,543,570</u>	<u>\$4,420,696</u>	<u>\$24,964,266</u>

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2019

Note 17 – Construction and Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Description</u>	<u>Remaining Commitment</u>
General	\$348,223
Other Governmental	350,487

Note 18 – Tax Abatements Entered Into by Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Loveland has entered into such agreements. Under these agreements the District’s property taxes were reduced by approximately \$133,122. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

Note 19 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2019, the following have been implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Loveland City School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2019	0.21736165%	\$47,792,946	\$24,685,371	193.61%	77.30%
2018	0.21066025%	50,042,794	23,099,914	216.64%	75.30%
2017	0.20799994%	69,623,850	21,846,600	318.69%	66.80%
2016	0.20406190%	56,396,740	20,489,657	275.24%	72.10%
2015	0.20108285%	48,910,308	22,125,508	221.06%	74.70%
2014	0.20108285%	58,104,736	23,423,077	248.07%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Loveland City School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2019	0.22913310%	\$13,122,877	\$7,769,956	168.89%	71.36%
2018	0.23139580%	13,825,388	7,362,136	187.79%	69.50%
2017	0.23088540%	16,898,681	6,591,600	256.37%	62.98%
2016	0.22594590%	12,892,692	7,225,349	178.44%	69.16%
2015	0.23326300%	11,805,308	6,846,616	172.43%	71.70%
2014	0.23326300%	13,875,559	8,384,393	165.49%	65.52%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Loveland City School District, Ohio
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2019	\$3,675,072	(\$3,675,072)	\$0	\$26,250,514	14.00%
2018	3,455,952	(3,455,952)	0	24,685,371	14.00%
2017	3,233,988	(3,233,988)	0	23,099,914	14.00%
2016	3,058,524	(3,058,524)	0	21,846,600	14.00%
2015	2,868,552	(2,868,552)	0	20,489,657	14.00%
2014	2,876,316	(2,876,316)	0	22,125,508	13.00%
2013	3,045,000	(3,045,000)	0	23,423,077	13.00%
2012	2,989,800	(2,989,800)	0	22,998,462	13.00%
2011	3,026,328	(3,026,328)	0	23,279,446	13.00%
2010	2,774,940	(2,774,940)	0	21,345,692	13.00%

See accompanying notes to the required supplementary information.

Loveland City School District, Ohio
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2019	\$1,109,261	(\$1,109,261)	\$0	\$8,216,748	13.50%
2018	1,048,944	(1,048,944)	0	7,769,956	13.50%
2017	1,030,699	(1,030,699)	0	7,362,136	14.00%
2016	922,824	(922,824)	0	6,591,600	14.00%
2015	952,301	(952,301)	0	7,225,349	13.18%
2014	948,941	(948,941)	0	6,846,616	13.86%
2013	1,160,400	(1,160,400)	0	8,384,393	13.84%
2012	1,028,496	(1,028,496)	0	7,646,810	13.45%
2011	988,056	(988,056)	0	7,860,430	12.57%
2010	1,065,240	(1,065,240)	0	7,867,356	13.54%

See accompanying notes to the required supplementary information.

Loveland City School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2019	0.21736165%	(\$3,492,780)	\$24,685,371	(14.15%)	176.00%
2018	0.21066025%	8,219,186	23,099,914	35.58%	47.10%
2017	0.20799990%	11,123,889	21,846,600	50.92%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Loveland City School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2019	0.23270500%	\$6,455,865	\$7,769,956	83.09%	13.57%
2018	0.23401840%	6,280,439	7,362,136	85.31%	12.46%
2017	0.23404583%	6,671,172	6,591,600	101.21%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Loveland City School District, Ohio
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2019	\$0	\$0	\$0	\$26,250,514	0.00%
2018	0	0	0	24,685,371	0.00%
2017	0	0	0	23,099,914	0.00%
2016	0	0	0	21,846,600	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Loveland City School District, Ohio
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2019	\$170,756	(\$170,756)	\$0	\$8,216,748	2.08%
2018	147,300	(147,300)	0	7,769,956	1.90%
2017	154,819	(154,819)	0	7,362,136	2.10%
2016	65,511	(65,511)	0	6,591,600	0.99%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

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, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$29,558,667	\$29,852,909	\$30,257,177	\$404,268
Revenue in lieu of taxes	460,465	465,048	471,346	6,298
Tuition and Fees	927,369	936,601	949,284	12,683
Investment Earnings	521,075	526,262	533,389	7,127
Intergovernmental	16,945,188	17,113,869	17,345,625	231,756
Charges for Services	18,208	18,389	18,638	249
Other Revenues	642,314	648,708	657,493	8,785
Total Revenues	49,073,286	49,561,786	50,232,952	671,166
Expenditures:				
Current:				
Instruction:				
Regular	24,380,854	24,928,149	24,001,693	926,456
Special	8,296,993	8,483,242	8,167,962	315,280
Vocational	119,379	122,058	117,522	4,536
Other	926,554	947,353	912,145	35,208
Support Services:				
Pupil	4,137,824	4,230,709	4,073,474	157,235
Instructional Staff	1,822,180	1,863,084	1,793,842	69,242
General Administration	122,490	125,240	120,585	4,655
School Administration	3,586,321	3,666,826	3,530,548	136,278
Fiscal	1,310,773	1,340,196	1,290,388	49,808
Business	243,932	249,407	240,138	9,269
Operations and Maintenance	3,147,165	3,217,812	3,098,222	119,590
Pupil Transportation	3,816,848	3,902,528	3,757,490	145,038
Central	860,481	879,797	847,099	32,698
Operation of Non-Instructional Services	5,379	5,499	5,295	204
Extracurricular Activities	1,092,670	1,117,198	1,075,677	41,521
Capital Outlay	243,657	249,127	239,868	9,259
Total Expenditures	54,113,500	55,328,225	53,271,948	2,056,277
Excess of Revenues Over (Under) Expenditures	(5,040,214)	(5,766,439)	(3,038,996)	2,727,443
Other Financing Sources (Uses):				
Advances (Out)	(61,445)	(62,824)	(60,489)	2,335
Transfers (Out)	(20,316)	(20,772)	(20,000)	772
Total Other Financing Sources (Uses)	(81,761)	(83,596)	(80,489)	3,107
Net Change in Fund Balance	(5,121,975)	(5,850,035)	(3,119,485)	2,730,550
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	17,941,668	17,941,668	17,941,668	0
Fund Balance - End of Year	\$12,819,693	\$12,091,633	\$14,822,183	\$2,730,550

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, 2019

Note 1 - Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2019.

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, 2019

The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis.

Net Change in Fund Balance	
	General Fund
GAAP Basis	(\$2,419,853)
Revenue Accruals	(1,332,952)
Expenditures Accruals	1,036,775
Transfers (Out)	(20,000)
Advances (Out)	(60,489)
Encumbrances	(322,966)
Budget Basis	(\$3,119,485)

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2018-2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial

Loveland City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2019

determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019: There were no changes in benefit terms from the amounts reported for this fiscal year.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

Loveland City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2019

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) Discount Rate:	
Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%
(2) Municipal Bond Index Rate:	
Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting

Loveland City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2019

for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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**LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	\$ 63,329
Cash Assistance:			
School Breakfast Program	10.553	3L70	34,443
National School Lunch Program	10.555	3L60	260,032
Total Child Nutrition Cluster			<u>357,804</u>
Total U.S. Department of Agriculture			<u>357,804</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education-Grants to States	84.027	3M20	1,134,755
Special Education-Preschool Grants	84.173	3C50	17,189
Total Special Education Cluster			<u>1,151,944</u>
Title I Grants to Local Educational Agencies	84.010	3M00	370,280
Supporting Effective Instruction State Grants	84.367	3Y60	98,869
Student Support and Academic Enrichment Program	84.424	3H10	<u>29,162</u>
<i>Passed Through Hamilton County Educational Service Center:</i>			
English Language Acquisition State Grants	84.365	N/A	6,469
Total U.S. Department of Education			<u>1,656,724</u>
Total Expenditures of Federal Awards			<u>\$2,014,528</u>

See accompanying notes to the schedule of expenditures of federal awards.

**LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Loveland City School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Loveland City School District
Hamilton County
757 S Lebanon Rd,
Loveland, Ohio 45140

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loveland City School District, Hamilton County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 2, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 2, 2020

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Loveland City School District
Hamilton County
757 S Lebanon Rd,
Loveland, Ohio 45140

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Loveland City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Loveland City School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Loveland City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 2, 2020

**LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster – CFDA # 84.027 and 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



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 19, 2020**