



Mary Taylor, CPA  
Auditor of State



LOVELAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY

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LOVELAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Loveland City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Loveland City School District, Hamilton County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and the budgetary comparison for the General Fund* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the audit of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 15, 2010

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**(Unaudited)**

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The discussion and analysis of Loveland City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- Net assets of governmental activities increased \$663,232 which represents a 2.0% increase from 2009.
- General revenues accounted for \$43,795,721 in revenue or 87.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,294,107 or 12.6% of total revenues of \$50,089,828.
- The District had \$49,426,596 in expenses related to governmental activities; \$6,294,107 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$43,795,721 were adequate to provide for these programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**(Unaudited)**

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

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

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

### **Fund Financial Statements**

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

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

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



**Loveland City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

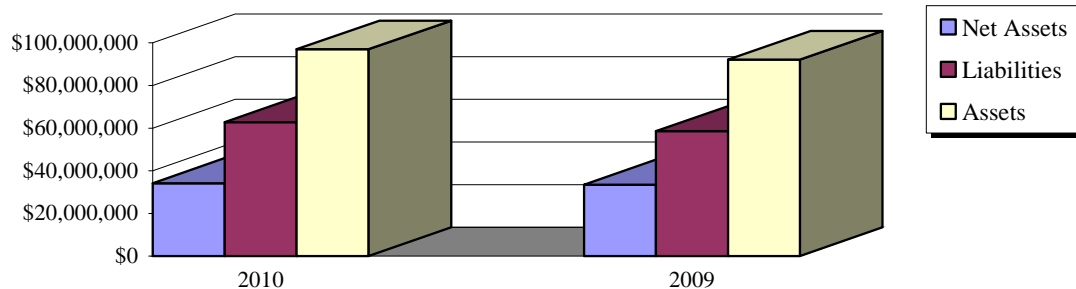
**The District as a Whole**

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

Table 1 provides a summary of the District's net assets for 2010 compared to 2009:

**Table 1  
Net Assets**

	Governmental Activities	
	2010	2009
Assets		
Current Assets	\$45,813,773	\$43,309,884
Capital Assets	51,189,903	48,818,833
Total Assets	97,003,676	92,128,717
Liabilities		
Other Liabilities	34,765,090	35,617,738
Long-Term Liabilities	28,047,188	22,982,813
Total Liabilities	62,812,278	58,600,551
Net Assets		
Invested in Capital Assets, Net of Related Debt	20,956,745	19,610,300
Restricted	3,567,049	4,093,296
Unrestricted	9,667,604	9,824,570
Total Net Assets	\$34,191,398	\$33,528,166



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$34,191,398.

At year end, capital assets represented 53% 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, 2010, totaled \$20,956,745. 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

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**(Unaudited)**

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should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,567,049, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$9,667,604 may be used to meet the District's ongoing obligations to the students and creditors. The external restriction will not affect the availability of fund resources for future use.

Current assets increased mainly due to an increase in equity in pooled cash and investments in 2010 as compared to 2009 mainly due to an increase in investment balance. Capital Assets increased due to the start of the energy improvements project throughout the District. Long-term liabilities increased primarily due to the District's issuance of \$6,015,000 in interest free QSCB School Energy Conservation Improvement Bonds.

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**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**(Unaudited)**

Table 2 shows the change in net assets for fiscal year 2010 with comparisons to fiscal year 2009.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2010	2009
Program Revenues:		
Charges for Services and Sales	\$2,259,006	\$2,320,723
Operating Grants and Contributions	4,035,101	3,013,028
Capital Grants and Contributions	0	75,371
General Revenue:		
Property Taxes	28,467,232	27,529,057
Grants and Entitlements	14,899,984	15,095,162
Other	428,505	527,027
Total Revenues	<u>50,089,828</u>	<u>48,560,368</u>
Program Expenses:		
Instruction	27,180,990	26,099,223
Support Services:		
Pupil and Instructional Staff	3,900,042	3,515,373
General and School Administrative, Fiscal and Business	4,412,377	4,392,097
Operations and Maintenance	3,668,258	3,590,134
Pupil Transportation	3,484,344	3,426,306
Central	985,219	1,033,549
Operation of Non-Instructional Services	2,139,671	2,055,234
Extracurricular Activities	1,323,360	1,212,385
Interest and Fiscal Charges	2,332,335	2,139,888
Total Expenses	<u>49,426,596</u>	<u>47,464,189</u>
Change in Net Assets	663,232	1,096,179
Beginning Net Assets	<u>33,528,166</u>	<u>32,431,987</u>
Ending Net Assets	<u>\$34,191,398</u>	<u>\$33,528,166</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 87% of the District's revenues for governmental activities.

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

**Loveland City School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**(Unaudited)**

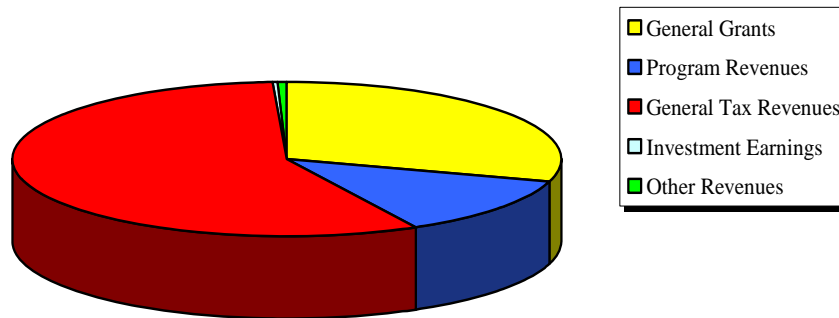
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Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 57% of revenue for governmental activities for the District in fiscal year 2010.

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

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	<u>2010</u>	<u>Percentage</u>
General Grants	\$14,899,984	29.75%
Program Revenues	6,294,107	12.57%
General Tax Revenues	28,467,232	56.83%
Investment Earnings	102,019	0.20%
Other Revenues	326,486	0.65%
Total Revenue Sources	<u>\$50,089,828</u>	<u>100.00%</u>



Instruction comprises 55% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses including interest expense were 12%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenue increased in 2010 compared to 2009 mainly due to an increase in property tax advances. Operating Grants and Contributions increased mainly due to the passage of the American Recovery Relief Act. Instruction Expenses increased mainly due to an increase in personnel cost and general inflationary factors.

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
(Unaudited)

**Governmental Activities**

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

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$27,180,990	\$26,099,223	(\$24,957,130)	(\$23,924,893)
Support Services:				
Pupil and Instructional Staff	3,900,042	3,515,373	(3,281,841)	(3,067,803)
General and School Administrative, Fiscal and Business	4,412,377	4,392,097	(4,395,096)	(4,365,366)
Operations and Maintenance	3,668,258	3,590,134	(3,277,422)	(3,577,875)
Pupil Transportation	3,484,344	3,426,306	(3,035,320)	(3,262,372)
Central	985,219	1,033,549	(962,796)	(1,001,921)
Operation of Non-Instructional Services	2,139,671	2,055,234	(87,822)	(37,194)
Extracurricular Activities	1,323,360	1,212,385	(802,727)	(677,755)
Interest and Fiscal Charges	2,332,335	2,139,888	(2,332,335)	(2,139,888)
Total Expenses	<u>\$49,426,596</u>	<u>\$47,464,189</u>	<u>(\$43,132,489)</u>	<u>(\$42,055,067)</u>

**The District's Funds**

The District has three major governmental funds: the General Fund, Debt Service Fund and Permanent Improvement Fund. Assets of the general fund comprised \$30,204,917 (66%), the debt service fund comprised \$5,320,986 (12%) and the permanent improvement fund comprised \$6,377,503 (14%) of the total \$45,521,076 governmental funds assets.

**General Fund:** Fund balance at June 30, 2010 was \$7,345,028; an increase in fund balance of \$1,450,064 from 2009. The primary reason for the increase in fund balance was due to an increase in property tax advances.

**Debt Service Fund:** Fund balance at June 30, 2010 was \$3,455,258; a decrease of \$163,964 from 2009. The decrease in fund balance was mainly due to a decrease in property tax receipts.

**Permanent Improvement Fund:** Fund balance at June 30, 2010 was (\$3,832,166); an increase of \$132,833 from 2009. The increase in fund balance was mainly due to a decrease in pupil transportation expenditures.

**General Fund Budgeting Highlights**

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

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
(Unaudited)

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During the course of fiscal year 2010, the District amended its general fund budget three 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 \$39,070,650, compared to original budget estimates of \$39,119,954. Of the \$49,304 difference, most was due to an overestimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance for the general fund was \$6,199,783.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2010, the District had \$51,189,903 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

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

---

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$1,436,356	\$1,436,356
Construction in Progress	3,688,178	0
Buildings and Improvements	41,384,037	42,854,044
Equipment	<u>4,681,332</u>	<u>4,528,433</u>
Total Net Capital Assets	<u><u>\$51,189,903</u></u>	<u><u>\$48,818,833</u></u>

The increase in capital assets is due to the start of the School Energy Conservation Improvement project throughout the District.

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

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
(Unaudited)

**Debt**

At June 30, 2010, the District had \$26,167,277 in debt outstanding, \$1,312,922 due within one year. Table 5 summarizes total debt outstanding.

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

	Governmental Activities	
	2010	2009
Bonds Payable:		
1999 Bond Issue	\$526,563	\$5,192,219
Refunding Bonds:		
Current Interest Bonds -		
2005 School Improvement	11,505,000	12,185,000
Capital Appreciation Bonds		
2005 School Improvement	1,326,249	1,326,249
Accretion of Interest	1,107,297	835,916
Premium on 2005 Refunding Bonds	1,410,998	1,505,065
2010 Tax Refunding Bonds	4,255,000	0
Premium on 2010 Refunding Bonds	226,170	0
2010 School Energy Improvement Bonds	5,810,000	0
	<u>\$26,167,277</u>	<u>\$21,044,449</u>
Total Outstanding Debt at Year End	<u>\$26,167,277</u>	<u>\$21,044,449</u>

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

**For the Future**

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM was phased in for FY10 and FY11 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

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

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**(Unaudited)**

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**Contacting the District's Financial Management**

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



Loveland City School District, Ohio  
Statement of Net Assets  
June 30, 2010

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$15,285,978
Restricted Cash and Investments	459,543
Receivables:	
Taxes	29,621,656
Accounts	11,849
Interest	12,735
Intergovernmental	106,510
Deferred Bond Issuance Costs	292,697
Inventory	22,805
Nondepreciable Capital Assets	5,124,534
Depreciable Capital Assets, Net	<u>46,065,369</u>
 Total Assets	 <u>97,003,676</u>
Liabilities:	
Accounts Payable	30,201
Accrued Wages and Benefits	5,353,547
Retainage Payable	122,758
Accrued Interest Payable	509,520
Contracts Payable	32,889
Unearned Revenue	21,216,175
Tax Anticipation Notes Payable	7,500,000
Long-Term Liabilities:	
Due Within One Year	1,541,298
Due In More Than One Year	<u>26,505,890</u>
 Total Liabilities	 <u>62,812,278</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	20,956,745
Restricted for:	
Debt Service	3,050,899
Set-Aside	336,785
Other Purposes	179,365
Unrestricted	<u>9,667,604</u>
 Total Net Assets	 <u>\$34,191,398</u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$20,337,934	\$519,189	\$49,960	(\$19,768,785)
Special	5,891,540	37,282	1,466,393	(4,387,865)
Vocational	167,404	0	19,232	(148,172)
Other	784,112	0	131,804	(652,308)
<b>Support Services:</b>				
Pupil	2,473,535	0	293,752	(2,179,783)
Instructional Staff	1,426,507	0	324,449	(1,102,058)
General Administration	69,219	0	0	(69,219)
School Administration	2,956,671	17,281	0	(2,939,390)
Fiscal	1,149,757	0	0	(1,149,757)
Business	236,730	0	0	(236,730)
Operations and Maintenance	3,668,258	30,079	360,757	(3,277,422)
Pupil Transportation	3,484,344	0	449,024	(3,035,320)
Central	985,219	0	22,423	(962,796)
Operation of Non-Instructional Services	2,139,671	1,134,808	917,041	(87,822)
Extracurricular Activities	1,323,360	520,367	266	(802,727)
Interest and Fiscal Charges	2,332,335	0	0	(2,332,335)
<b>Total Governmental Activities</b>	<b>\$49,426,596</b>	<b>\$2,259,006</b>	<b>\$4,035,101</b>	<b>(43,132,489)</b>

**General Revenues:**

**Property Taxes Levied for:**

General Purposes	23,261,040
Debt Service Purposes	2,145,346
Capital Projects Purposes	3,060,846
Grants and Entitlements not Restricted to Specific Programs	14,899,984
Revenue in Lieu of Taxes	180,054
Investment Earnings	102,019
Other Revenues	146,432

**Total General Revenues** 43,795,721

Change in Net Assets 663,232

Net Assets Beginning of Year 33,528,166

Net Assets End of Year \$34,191,398

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$5,985,764	\$2,902,149	\$2,925,958	\$3,472,107	\$15,285,978
Restricted Cash and Investments	336,785	0	0	122,758	459,543
<b>Receivables:</b>					
Taxes	23,751,274	2,418,837	3,451,545	0	29,621,656
Accounts	11,849	0	0	0	11,849
Interest	12,735	0	0	0	12,735
Intergovernmental	106,510	0	0	0	106,510
Inventory	0	0	0	22,805	22,805
<b>Total Assets</b>	<b>30,204,917</b>	<b>5,320,986</b>	<b>6,377,503</b>	<b>3,617,670</b>	<b>45,521,076</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	11,780	0	16,346	2,075	30,201
Accrued Wages and Benefits	4,872,904	0	19,077	461,566	5,353,547
Compensated Absences	172,073	0	12,098	0	184,171
Retainage Payable	0	0	0	122,758	122,758
Contracts Payable	0	0	0	32,889	32,889
Deferred Revenue	17,803,132	1,865,728	2,662,148	0	22,331,008
Tax Anticipation Notes Payable	0	0	7,500,000	0	7,500,000
<b>Total Liabilities</b>	<b>22,859,889</b>	<b>1,865,728</b>	<b>10,209,669</b>	<b>619,288</b>	<b>35,554,574</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	87,052	0	342,179	2,397,804	2,827,035
Reserved for Inventory	0	0	0	22,805	22,805
Reserved for Property Tax Advances	5,948,142	553,109	789,397	0	7,290,648
Reserved for Set-Aside	336,785	0	0	0	336,785
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	973,049	0	0	0	973,049
Special Revenue Funds	0	0	0	733,390	733,390
Debt Service Funds	0	2,902,149	0	0	2,902,149
Capital Projects Funds	0	0	(4,963,742)	(155,617)	(5,119,359)
<b>Total Fund Balances</b>	<b>7,345,028</b>	<b>3,455,258</b>	<b>(3,832,166)</b>	<b>2,998,382</b>	<b>9,966,502</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$30,204,917</b>	<b>\$5,320,986</b>	<b>\$6,377,503</b>	<b>\$3,617,670</b>	<b>\$45,521,076</b>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2010

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Total Governmental Fund Balance	\$9,966,502
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,189,903
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes	1,114,833
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(509,520)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	
Compensated Absences	(1,695,740)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.	292,697
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(26,167,277)</u>
Net Assets of Governmental Activities	<u>\$34,191,398</u>

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, 2010

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$23,344,765	\$2,156,616	\$3,075,869	\$0	\$28,577,250
Revenue in lieu of taxes	180,054	0	0	0	180,054
Tuition and Fees	605,447	0	0	39,945	645,392
Investment Earnings	100,601	0	1,284	134	102,019
Intergovernmental	15,003,648	145,683	267,629	3,518,125	18,935,085
Extracurricular Activities	0	0	0	454,879	454,879
Charges for Services	17,281	0	0	1,134,808	1,152,089
Other Revenues	87,651	0	0	65,427	153,078
<b>Total Revenues</b>	<b>39,339,447</b>	<b>2,302,299</b>	<b>3,344,782</b>	<b>5,213,318</b>	<b>50,199,846</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	18,320,694	0	547,543	14,996	18,883,233
Special	4,732,398	0	3,064	1,140,367	5,875,829
Vocational	167,404	0	0	0	167,404
Other	654,097	0	0	130,015	784,112
<b>Support Services:</b>					
Pupil	2,174,356	0	0	280,420	2,454,776
Instructional Staff	989,997	0	104,808	323,238	1,418,043
General Administration	69,219	0	0	0	69,219
School Administration	2,982,527	3,335	9,312	0	2,995,174
Fiscal	939,168	27,112	60,319	120,300	1,146,899
Business	230,574	0	2,608	0	233,182
Operations and Maintenance	2,496,250	0	644,711	387,744	3,528,705
Pupil Transportation	2,593,303	0	701,166	332,919	3,627,388
Central	559,303	0	248,763	22,423	830,489
Operation of Non-Instructional Services	32,676	0	0	2,097,311	2,129,987
Extracurricular Activities	715,006	0	0	495,971	1,210,977
Capital Outlay	28,456	0	535,280	3,688,278	4,252,014
<b>Debt Service:</b>					
Principal Retirement	205,000	990,656	0	0	1,195,656
Interest and Fiscal Charges	0	1,445,160	354,375	0	1,799,535
Bond Issuance Costs	0	103,665	0	0	103,665
<b>Total Expenditures</b>	<b>37,890,428</b>	<b>2,569,928</b>	<b>3,211,949</b>	<b>9,033,982</b>	<b>52,706,287</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,449,019</b>	<b>(267,629)</b>	<b>132,833</b>	<b>(3,820,664)</b>	<b>(2,506,441)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Capital Assets	1,045	0	0	0	1,045
Issuance of Long-Term Capital-Related Debt	0	0	0	6,015,000	6,015,000
Payments to Refunded Bond Escrow Agent	0	(4,526,207)	0	0	(4,526,207)
Issuance of Refunding Bonds	0	4,366,007	0	0	4,366,007
Refunding Bond Premium	0	263,865	0	0	263,865
<b>Total Other Financing Sources (Uses)</b>	<b>1,045</b>	<b>103,665</b>	<b>0</b>	<b>6,015,000</b>	<b>6,119,710</b>
<b>Net Change in Fund Balance</b>	<b>1,450,064</b>	<b>(163,964)</b>	<b>132,833</b>	<b>2,194,336</b>	<b>3,613,269</b>
<b>Fund Balance Beginning of Year</b>	<b>5,894,964</b>	<b>3,619,222</b>	<b>(3,964,999)</b>	<b>804,046</b>	<b>6,353,233</b>
<b>Fund Balance End of Year</b>	<b>\$7,345,028</b>	<b>\$3,455,258</b>	<b>(\$3,832,166)</b>	<b>\$2,998,382</b>	<b>\$9,966,502</b>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2010

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Net Change in Fund Balance - Total Governmental Funds \$3,613,269

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	\$4,908,340	
Depreciation Expense	<u>(2,531,142)</u>	
		2,377,198

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (6,128)

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

Delinquent Property Taxes	(110,018)
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In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	\$103,665	
Premium on Bonds Issued	(263,865)	
Refunding Bonds	4,355,000	
Bonds Refunded	<u>(4,255,000)</u>	
		(60,200)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,195,656

Interest expense in the statement of activities differs from the amount reported in governmental funds for accrued interest was calculated for bonds and notes payable.

Accrued Interest	(304,582)
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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	\$141,055	
Amortization of Bond Issuance Cost	(28,399)	
Amortization of Bond Premium	131,762	
Bond Accretion	<u>(271,381)</u>	
		(26,963)

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 assets. (6,015,000)

Change in Net Assets of Governmental Activities	<u><u>\$663,232</u></u>
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See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$2,000</u>	<u>\$157,525</u>
Total Assets	<u>2,000</u>	<u>157,525</u>
Liabilities:		
Accounts Payable	0	2,900
Other Liabilities	<u>0</u>	<u>154,625</u>
Total Liabilities	<u>0</u>	<u>\$157,525</u>
Net Assets:		
Held in Trust	<u>2,000</u>	
Total Net Assets	<u>\$2,000</u>	

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Fund  
 For the Fiscal Year Ended June 30, 2010

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	Private Purpose Trust
Additions:	
Donations	<u>\$2,000</u>
Total Additions	<u>2,000</u>
Deductions:	
Scholarships	<u>0</u>
Total Deductions	<u>0</u>
Change in Net Assets	2,000
Net Assets Beginning of Year	<u>0</u>
Net Assets End of Year	<u><u>\$2,000</u></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, 2010**

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**Note 1 - Description of the District**

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

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

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

**Reporting Entity**

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

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

**Parochial Schools**

The District has three non-public schools within its boundaries. St. Columbia School is operated through the Catholic Diocese. Children's Meeting House Montessori School is guided by the American Montessori Society; and Ohio Valley Voices which is a school for the Hearing Impaired. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the schools by the treasurer of the District, as directed by the schools. The activity of these State monies by the District is reflected in a special revenue fund for financial reporting purposes.

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

Jointly Governed Organizations:

The Southwest Ohio Computer Association  
Hamilton Clermont Cooperative Association / Unified Purchasing Association  
The Great Oaks Institute of Technology and Career Development

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Public Entity Risk Pools:

Greater Cincinnati Insurance Consortium

Ohio School Boards Association Workers' Compensation Group Rating Plan

These organizations are presented in Notes 13 and 15.

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

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

**Measurement Focus**

Government-wide Financial Statements

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

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

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

**Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

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

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

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

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Fiduciary Funds

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

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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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 and intergovernmental revenue.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

**Equity in Pooled Cash and Investments**

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

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

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 \$100,601, \$1,284 to Permanent Improvement Fund and \$134 to Other Governmental Funds.

**Inventory**

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

**Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-40 years
Equipment	5-15 years

**Compensated Absences**

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>	<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/yr. 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
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)	<u>Sick Leave</u> 1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	260 Days	300 Days	250 Days	250 Days
Vested	As Earned	As Earned	As Earned	As Earned
Termination Entitlement	35 days plus 25% of unused sick days above 35	35 days plus 25% of unused sick days above 35	35 days plus 25% of unused sick days above 35	35 days plus 25% of unused sick days above 35

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the \$3,567,049 in restricted net assets, none were restricted by enabling legislation.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Interfund Activity**

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

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

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

**Fund Equity**

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

**Estimates**

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

**Restricted Assets**

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

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

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



**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

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

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

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

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

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

**Deposits**

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2010, \$254,218 of the District's bank balance of \$3,011,139 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Investments**

As of June 30, 2010, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$25,315	0.00
STAROhio	1,694,548	0.15
Federal Home Loan Bank	6,553,569	1.28
Federal Home Loan Bank - Discount Note	574,943	0.14
Freddie Mac - Discount Note	249,975	0.15
Fannie Mae - Discount Note	3,941,895	0.20
	<u>\$13,040,245</u>	
Portfolio Weighted Average Maturity		0.74

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 Money Market Funds, Federal Home Loan Bank, Federal Home Loan Bank – Discount Note, Freddie Mac – Discount Note and Fannie Mae – Discount Note were rated AAA by Standard & Poors and Fitch Ratings and Aaa by Moody’s Investors Service. Investments in STAROhio were rated AAAM by Standards & Poor’s.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 13% of the District’s investments in STAROhio, 1% in Money Market Funds, 50% in Federal Home Loan Bank, 4% in Federal Home Loan Bank – Discount Note, 30% in Fannie Mae – Discount Note, and 2% in Freddie Mac – Discount Note.

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

**Note 4 - Property Taxes**

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Real property taxes collected in 2010 were levied in April on the assessed values as of January 1, 2009, 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.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. In 2010, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2010. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2010 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 revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2010, was \$5,948,142 for General Fund, \$553,109 for Debt Service Fund and \$789,397 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 2010 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.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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The assessed values upon which the fiscal year 2010 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$783,750,651
Public Utility	10,067,850
Tangible Personal Property	<u>606,827</u>
Total	<u><u>\$794,425,328</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2010 consisted of taxes, accounts, interest and intergovernmental receivable. All receivables are considered collectible in full.

**Note 6 - Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,436,356	\$0	\$0	\$1,436,356
Construction in Progress	0	3,688,178	0	3,688,178
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	77,370,760	64,530	0	77,435,290
Equipment	<u>10,432,088</u>	<u>1,155,632</u>	<u>212,654</u>	<u>11,375,066</u>
Totals at Historical Cost	<u>89,239,204</u>	<u>4,908,340</u>	<u>212,654</u>	<u>93,934,890</u>
Less Accumulated Depreciation:				
Buildings and Improvements	34,516,716	1,534,537	0	36,051,253
Equipment	<u>5,903,655</u>	<u>996,605</u>	<u>206,526</u>	<u>6,693,734</u>
Total Accumulated Depreciation	<u>40,420,371</u>	<u>2,531,142</u>	<u>206,526</u>	<u>42,744,987</u>
Governmental Activities Capital Assets, Net	<u>\$48,818,833</u>	<u>\$2,377,198</u>	<u>\$6,128</u>	<u>\$51,189,903</u>

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,707,688
Special	21,477
Support Services:	
Pupil	5,063
Instructional Staff	57,900
School Administration	39,029
Fiscal	9,539
Business	4,756
Operations and Maintenance	139,913
Pupil Transportation	120,835
Central	251,852
Operation of Non-Instructional Services	52,592
Extracurricular Activities	120,498
Total Depreciation Expense	<u><u>\$2,531,142</u></u>

**Note 7 - Notes Payable**

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
Tax Anticipation	3.47%	6/1/2009	6/1/2010	\$9,000,000	\$0	\$9,000,000	\$0
Tax Anticipation	3.50%	6/1/2010	6/1/2011	0	7,500,000	0	7,500,000
				<u><u>\$9,000,000</u></u>	<u><u>\$7,500,000</u></u>	<u><u>\$9,000,000</u></u>	<u><u>\$7,500,000</u></u>

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

**Note 8 - Long-Term Liabilities**

	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<b>Governmental Activities:</b>						
General Obligation Bonds:						
Bond Issue						
1999 5.00%	12/1/15	\$5,192,219	\$0	\$4,665,656	\$526,563	\$277,922
Refunding Bonds:						
Current Interest Bonds -						
School Improvement						
2005 4.65%	12/1/24	12,185,000	0	680,000	11,505,000	780,000
Capital Appreciation Bonds -						
School Improvement						
2005 4.33%	12/1/24	1,326,249	0	0	1,326,249	0
Accretion of Interest on 2005 Refunding Bonds		835,916	271,381	0	1,107,297	0
Premium on 2005 Refunding Bonds		1,505,065	0	94,067	1,410,998	0
General Obligation Unlimited						
Tax Refunding Bonds						
2010 3.00%	12/1/15	0	4,255,000	0	4,255,000	0
Premium on 2010 Refunding Bonds		0	263,865	37,695	226,170	0
School Energy Improvement Bonds						
2010 0.00%	6/1/24	0	6,015,000	205,000	5,810,000	255,000
Total General Obligation Bonds		21,044,449	10,805,246	5,682,418	26,167,277	1,312,922
Compensated Absences		1,938,364	90,725	149,178	1,879,911	228,376
Long-Term Debt		<u>\$22,982,813</u>	<u>\$10,895,971</u>	<u>\$5,831,596</u>	<u>\$28,047,188</u>	<u>\$1,541,298</u>

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

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

Fiscal Year Ending June 30	General Obligation Bond			Capital Appreciation Bond		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$1,312,921	\$1,426,903	\$2,739,824	\$0	\$0	\$0
2012	1,443,642	1,426,933	2,870,575	0	0	0
2013	1,380,000	1,296,366	2,676,366	465,871	679,129	1,145,000
2014	1,480,000	1,370,126	2,850,126	441,286	783,714	1,225,000
2015	1,520,000	1,445,045	2,965,045	419,092	895,908	1,315,000
2016-2020	6,800,000	1,967,539	8,767,539	0	0	0
2021-2025	8,160,000	882,500	9,042,500	0	0	0
Total	<u>\$22,096,563</u>	<u>\$9,815,412</u>	<u>\$31,911,975</u>	<u>\$1,326,249</u>	<u>\$2,358,751</u>	<u>\$3,685,000</u>

**Note 9 – Advanced Refunding**

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On November 10, 2009, the District issued \$4,629,872 in General Obligation Unlimited Tax Bonds with an average interest rate of 3.50% of which \$4,629,872 was used to partially advance refund \$4,355,000 of outstanding 1999 A School Improvement Bonds. The net proceeds of \$4,518,865 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the 1999 A School Improvement Bonds. As a result, \$4,355,000 of the 1999 A School Improvement Bonds are considered to be defeased and the related liability for those bonds has been removed from the Statement of Net Assets.

The District advance refunded a portion of the 1999 A School Improvement Bonds to reduce its total debt service payments by \$407,478 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$377,048.

**Note 10 - Pension Plans**

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**School Employees Retirement System Of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.



**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$1,065,240, \$1,032,336, and \$1,065,240, respectively; 47% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

**State Teachers Retirement System of Ohio**

Plan Description

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

Plan Options

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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DB Plan Benefits

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

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits

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

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

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

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

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

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$2,774,940, \$2,680,140, and \$2,688,648, respectively; 82% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

**Note 11 - Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2010, 2009 and 2008 were \$57,827, \$55,304 and \$51,740, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was 0.46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; not may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$35,001, \$306,751, and \$252,614, respectively.

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

**State Teachers Retirement System of Ohio**

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$198,210, \$191,439, and \$192,046, respectively.

**Note 12 - Contingent Liabilities**

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**Grants**

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2010.

**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 13 - Jointly Governed Organizations**

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

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

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Note 14 - Risk Management**

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

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

The Travelers Insurance Company insures the performance bonds. The Superintendent, Board President and Assistant Treasurer are each insured in the amount of \$50,000. In addition, the Treasurer and Business Manager are each insured in the amount of \$100,000. The District uses the State Workers' Compensation plan.

The District maintains a comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% co-insured. The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District contracted with Ohio Casualty for property insurance, fleet insurance, and for liability insurance coverage. Coverage provided by Ohio Casualty are as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$79,740,000
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.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Note 15 - Insurance Purchasing Pool**

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

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

**Note 16 – Accountability**

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Title VI - B Preschool	\$131,555
Title I	66,559
Improving Teacher Quality	23,196
Capital Projects Fund:	
Permanent Improvement	3,832,166

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, 2010**

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

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

For fiscal year ended June 30, 2010, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2009	(\$1,258,664)	\$0	\$336,785
Current Year Set Aside Requirements	761,482	761,482	0
Qualified Disbursements	<u>(1,119,979)</u>	<u>(1,007,042)</u>	<u>0</u>
Set Aside Reserve Balance as of June 30, 2010	<u>(\$1,617,161)</u>	<u>(\$245,560)</u>	<u>\$336,785</u>
Restricted Cash as of June 30, 2010	<u>\$0</u>	<u>\$0</u>	<u>\$336,785</u>
Carried Forward as of June 30, 2010	<u>(\$1,617,161)</u>		

Qualifying disbursements and current year offsets for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks resulted in \$1,617,161 for carryover to offset textbook requirements in future years.

**Note 18 – Prior Year Defeasance of Debt**

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In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2010, \$21,295,000 of bonds outstanding are considered defeased.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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Loveland City School District, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$22,447,123	\$22,418,833	\$22,418,833	\$0
Revenue in lieu of taxes	73,637	73,544	73,544	0
Tuition and Fees	606,211	605,447	605,447	0
Investment Earnings	105,147	105,014	105,014	0
Intergovernmental	15,794,635	15,774,729	15,774,729	0
Charges for Services	17,303	17,281	17,281	0
Other Revenues	75,898	75,802	75,802	0
Total Revenues	<u>39,119,954</u>	<u>39,070,650</u>	<u>39,070,650</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,598,464	19,002,302	18,395,958	606,344
Special	4,770,238	4,873,817	4,718,298	155,519
Vocational	169,073	172,744	167,232	5,512
Other	661,297	675,657	654,097	21,560
Support Services:				
Pupil	2,189,688	2,237,234	2,165,846	71,388
Instructional Staff	994,668	1,016,266	983,838	32,428
General Administration	69,981	71,501	69,219	2,282
School Administration	3,043,630	3,109,718	3,010,490	99,228
Fiscal	952,329	973,008	941,960	31,048
Business	233,879	238,957	231,332	7,625
Operations and Maintenance	2,604,868	2,661,428	2,576,505	84,923
Pupil Transportation	2,669,279	2,727,238	2,640,215	87,023
Central	530,216	541,729	524,443	17,286
Operation of Non-Instructional Services	29,480	30,120	29,159	961
Extracurricular Activities	723,577	739,288	715,698	23,590
Capital Outlay	28,769	29,394	28,456	938
Debt Service:				
Principal Retirement	211,757	211,757	205,000	6,757
Total Expenditures	<u>38,481,193</u>	<u>39,312,158</u>	<u>38,057,746</u>	<u>1,254,412</u>
Excess of Revenues Over (Under) Expenditures	<u>638,761</u>	<u>(241,508)</u>	<u>1,012,904</u>	<u>1,254,412</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,046	1,045	1,045	0
Total Other Financing Sources (Uses)	<u>1,046</u>	<u>1,045</u>	<u>1,045</u>	<u>0</u>
Net Change in Fund Balance	639,807	(240,463)	1,013,949	1,254,412
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>5,185,834</u>	<u>5,185,834</u>	<u>5,185,834</u>	<u>0</u>
Fund Balance End of Year	<u>\$5,825,641</u>	<u>\$4,945,371</u>	<u>\$6,199,783</u>	<u>\$1,254,412</u>

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, 2010**

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**Note 1 - Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2010.

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 a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).

**Loveland City School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2010**

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

	<u>General Fund</u>
GAAP Basis	\$1,450,064
Revenue Accruals	(268,797)
Expenditures Accruals	(70,496)
Encumbrances	<u>(96,822)</u>
Budget Basis	<u><u>\$1,013,949</u></u>

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**LOVELAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education.</i>						
Nutrition Cluster:						
National School Lunch	LLP4-10	10.555	\$311,221	\$80,180	\$311,221	\$80,180
Child Nutrition Grant		10.574	2,000		2,000	
<b>Total U.S. Department of Agriculture</b>			<b>313,221</b>	<b>80,180</b>	<b>313,221</b>	<b>80,180</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education.</i>						
Education Consolidation and Improvement Act						
Title I - Grants to Local Educational Agencies	C1-S1-10	84.010	313,502	----	302,025	----
Title I - Grants to Local Educational Agencies, Recovery /		84.389	127,408	----	118,400	----
<i>Total Title I</i>			440,910	-	420,425	-
Special Education Cluster:						
Special Education Grants to States						
IDEA Part B - FY09	6BSF-09	84.027	----	----	13,421	----
IDEA Part B - FY10	6BSF-10	84.027	816,925	----	792,176	----
IDEA Part B - Recovery Act		84.391	489,652	----	426,091	----
Educational Handicapped Preschool						
Preschool Subsidy - FY 10	PG-S1-10	84.173	13,676	----	13,676	----
Preschool Subsidy - ARRA Stimulus		84.392	18,669	----	18,669	----
<i>Total Special Education Cluster</i>			1,338,922	-	1,264,033	-
Drug Free Schools						
Drug Free Education - Subsidy - FY 10	DR-S1-10	84.186	9,812	----	9,812	----
<i>Total Drug Free School Grants</i>			9,812	-	9,812	-
Additional Programs:						
Title II D- Educational Technology - FY 10	TJ-S1-10	84.318	2,807	----	2,807	----
English Language Acquisition Grant -	T3S1-10	84.365	3,350	----	3,350	----
Title III Construction Flow Thru		0.000	7,564	----	7,564	----
Title II, Improving Teacher Quality - FY 10	TR-S1-10	84.367	118,967	----	118,967	----
State Fiscal Stabilization Fund - FY 10		84.394	713,929	----	713,929	----
<i>Total Additional Programs</i>			846,617	-	846,617	-
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Vocational Education Basic Grants to States						
Career Education - FY1C	N/A	84.048	9,014	----	9,014	----
<i>Total Vocational Education</i>			9,014	-	9,014	-
<b>Total Department of Education</b>			<b>2,645,275</b>	<b>-</b>	<b>2,549,901</b>	<b>-</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 2,958,496</b>	<b>\$ 80,180</b>	<b>\$ 2,863,122</b>	<b>\$ 80,180</b>

The accompanying notes to this schedule are an integral part of this schedule.

**LOVELAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Loveland City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C – 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.





# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Loveland City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

#### **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, providing an opinion 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 15, 2010.

We intend this report solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 15, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of Loveland City School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Loveland City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 15, 2010

**LOVELAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster, CFDA # 84.027, 84.391, 84.392 and 84.173 State Fiscal Stabilization Fund CFDA # 84.394 Nutrition Cluster, CFDA # 10.555 and 10.553 Title I, CFDA # 84.010 and 84.389
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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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**Mary Taylor, CPA**  
Auditor of State

**LOVELAND CITY SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 4, 2011**