



Dave Yost • Auditor of State

LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY

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LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY

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Dave Yost • 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 funds information of Loveland City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, 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.

As described in Note 19, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 funds information of Loveland City School District, Hamilton County, Ohio, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012, 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 *Required budgetary comparison schedule*, 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 the 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 basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 30, 2012

Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of Loveland City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- Net assets of governmental activities increased \$1,937,818 which represents a 5.7% increase from 2010.
- General revenues accounted for \$44,694,252 in revenue or 86.0% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,256,126 or 14.0% of total revenues of \$51,950,378.
- The District had \$50,012,560 in expenses related to governmental activities; \$7,256,126 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$44,694,252 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 2011?" 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, 2011
(Unaudited)

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, 2011
(Unaudited)**

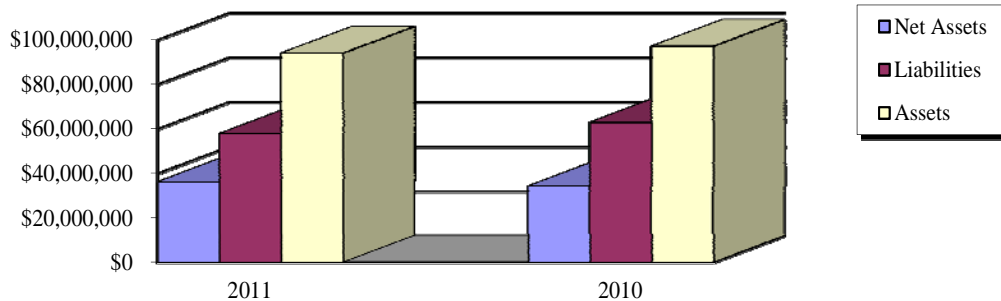
The District as a Whole

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 2011 compared to 2010:

**Table 1
Net Assets**

	Governmental Activities	
	2011	2010
Assets		
Current Assets	\$43,142,514	\$45,813,773
Capital Assets	50,785,875	51,189,903
Total Assets	93,928,389	97,003,676
Liabilities		
Other Liabilities	30,926,516	34,765,090
Long-Term Liabilities	26,872,657	28,047,188
Total Liabilities	57,799,173	62,812,278
Net Assets		
Invested in Capital Assets, Net of Related Debt	21,995,625	20,956,745
Restricted	3,115,699	3,567,049
Unrestricted	11,017,892	9,667,604
Total Net Assets	\$36,129,216	\$34,191,398



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$36,129,216.

Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

At year end, capital assets represented 54% 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, 2011, totaled \$21,995,625. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,115,699, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$11,017,892 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 decreased mainly due to a decrease in equity in pooled cash and investments in 2011 as compared to 2010 mainly due to a decrease in investment balance due to the issuance of the Energy Conservation Improvement Bonds in the previous fiscal year. Long-term liabilities decreased primarily due to the District's issuance of \$6,015,000 in interest free QSCB School Energy Conservation Improvement Bonds in the previous fiscal year.

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**Loveland City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Table 2 shows the change in net assets for fiscal year 2011 with comparisons to fiscal year 2010.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2011	2010
Program Revenues:		
Charges for Services and Sales	\$2,359,065	\$2,259,006
Operating Grants and Contributions	4,897,061	4,035,101
General Revenue:		
Property Taxes	29,862,747	28,467,232
Grants and Entitlements	14,585,748	14,899,984
Other	245,757	428,505
Total Revenues	<u>51,950,378</u>	<u>50,089,828</u>
Program Expenses:		
Instruction	28,434,658	27,180,990
Support Services:		
Pupil and Instructional Staff	3,881,978	3,900,042
General and School Administrative, Fiscal and Business	4,299,805	4,412,377
Operations and Maintenance	3,414,198	3,668,258
Pupil Transportation	3,362,872	3,484,344
Central	1,049,687	985,219
Operation of Non-Instructional Services	2,277,134	2,139,671
Extracurricular Activities	1,363,543	1,323,360
Interest and Fiscal Charges	1,928,685	2,332,335
Total Expenses	<u>50,012,560</u>	<u>49,426,596</u>
Change in Net Assets	1,937,818	663,232
Beginning Net Assets	<u>34,191,398</u>	<u>33,528,166</u>
Ending Net Assets	<u>\$36,129,216</u>	<u>\$34,191,398</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 86% of the District's revenues for governmental activities.

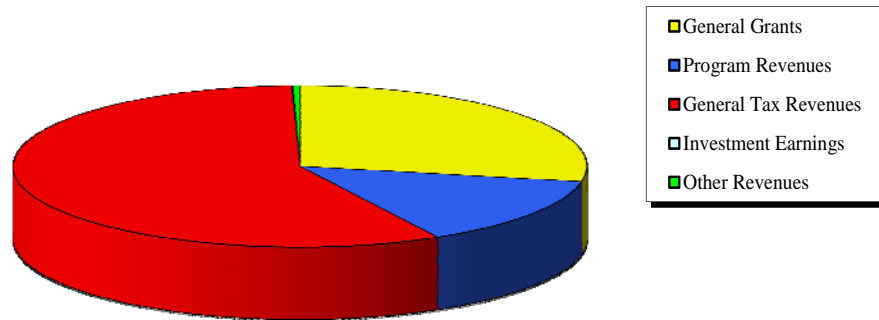
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner 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, 2011
(Unaudited)

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 57% of revenue for governmental activities for the District in fiscal year 2011.

Governmental Activities
Revenue Sources

	<u>2011</u>	<u>Percentage</u>
General Grants	\$14,585,748	28.08%
Program Revenues	7,256,126	13.97%
General Tax Revenues	29,862,747	57.48%
Investment Earnings	31,149	0.06%
Other Revenues	214,608	0.41%
Total Revenue Sources	<u>\$51,950,378</u>	<u>100.00%</u>



Instruction comprises 57% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other expenses including interest expense were 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenue increased in 2011 compared to 2010 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, 2011
(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	
	2011	2010	2011	2010
Instruction	\$28,434,658	\$27,180,990	(\$25,476,060)	(\$24,957,130)
Support Services:				
Pupil and Instructional Staff	3,881,978	3,900,042	(3,314,929)	(3,281,841)
General and School Administrative, Fiscal and Business	4,299,805	4,412,377	(4,284,850)	(4,395,096)
Operations and Maintenance	3,414,198	3,668,258	(3,006,148)	(3,277,422)
Pupil Transportation	3,362,872	3,484,344	(2,782,963)	(3,035,320)
Central	1,049,687	985,219	(1,031,037)	(962,796)
Operation of Non-Instructional Services	2,277,134	2,139,671	(146,103)	(87,822)
Extracurricular Activities	1,363,543	1,323,360	(785,659)	(802,727)
Interest and Fiscal Charges	1,928,685	2,332,335	(1,928,685)	(2,332,335)
Total Expenses	<u>\$50,012,560</u>	<u>\$49,426,596</u>	<u>(\$42,756,434)</u>	<u>(\$43,132,489)</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 \$30,522,435 (71%), the debt service fund comprised \$5,059,340 (12%) and the permanent improvement fund comprised \$5,714,922 (13%) of the total \$42,878,216 governmental funds assets.

General Fund: Fund balance at June 30, 2011 was \$9,267,605; an increase in fund balance of \$1,680,922 from 2010. 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, 2011 was \$3,512,491; an increase of \$57,233 from 2010. The increase in fund balance was mainly due to an increase in property tax receipts.

Permanent Improvement Fund: Fund balance at June 30, 2011 was (\$2,370,414); an increase of \$1,461,752 from 2010. 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, 2011
(Unaudited)

During the course of fiscal year 2011, 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 \$38,075,626, compared to original budget estimates of \$38,223,905. Of the \$148,279 difference, most was due to an overestimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance for the general fund was \$6,171,307.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$50,785,875 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$1,436,356	\$1,436,356
Construction in Progress	5,240,073	3,688,178
Buildings and Improvements	39,953,513	41,384,037
Equipment	4,155,933	4,681,332
Total Net Capital Assets	<u>\$50,785,875</u>	<u>\$51,189,903</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, 2011
(Unaudited)

Debt

At June 30, 2011, the District had \$25,028,037 in debt outstanding, \$1,443,641 due within one year. Table 5 summarizes total debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2011	2010
Bonds Payable:		
1999 Bond Issue	\$248,641	\$526,563
Refunding Bonds:		
Current Interest Bonds -		
2005 School Improvement	10,725,000	11,505,000
Capital Appreciation Bonds		
2005 School Improvement	1,326,249	1,326,249
Accretion of Interest	1,412,741	1,107,297
Premium on 2005 Refunding Bonds	1,316,931	1,410,998
2010 Tax Refunding Bonds	4,255,000	4,255,000
Premium on 2010 Refunding Bonds	188,475	226,170
2010 School Energy Improvement Bonds	5,555,000	5,810,000
	<u>5,555,000</u>	<u>5,810,000</u>
Total Outstanding Debt at Year End	<u>\$25,028,037</u>	<u>\$26,167,277</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, 2011
(Unaudited)

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, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$13,525,727
Restricted Cash and Investments	23,692
Receivables:	
Taxes	29,175,961
Accounts	8,583
Interest	6,219
Intergovernmental	106,510
Deferred Bond Issuance Costs	264,298
Inventory	31,524
Nondepreciable Capital Assets	6,676,429
Depreciable Capital Assets, Net	44,109,446
Total Assets	93,928,389
Liabilities:	
Accounts Payable	146,231
Accrued Wages and Benefits	5,397,280
Retainage Payable	23,692
Accrued Interest Payable	520,096
Contracts Payable	152,594
Unearned Revenue	18,686,623
Tax Anticipation Notes Payable	6,000,000
Long-Term Liabilities:	
Due Within One Year	1,695,347
Due In More Than One Year	25,177,310
Total Liabilities	57,799,173
Net Assets:	
Invested in Capital Assets, Net of Related Debt	21,995,625
Restricted for:	
Debt Service	3,083,889
Other Purposes	31,810
Unrestricted	11,017,892
Total Net Assets	\$36,129,216

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$21,213,835	\$577,671	\$620,546	(\$20,015,618)
Special	6,114,782	48,076	1,554,689	(4,512,017)
Vocational	176,374	0	19,376	(156,998)
Other	929,667	0	138,240	(791,427)
Support Services:				
Pupil	2,506,935	0	248,741	(2,258,194)
Instructional Staff	1,375,043	0	318,308	(1,056,735)
General Administration	101,631	0	0	(101,631)
School Administration	2,951,377	14,866	89	(2,936,422)
Fiscal	1,010,429	0	0	(1,010,429)
Business	236,368	0	0	(236,368)
Operations and Maintenance	3,414,198	18,919	389,131	(3,006,148)
Pupil Transportation	3,362,872	0	579,909	(2,782,963)
Central	1,049,687	0	18,650	(1,031,037)
Operation of Non-Instructional Services	2,277,134	1,121,958	1,009,073	(146,103)
Extracurricular Activities	1,363,543	577,575	309	(785,659)
Interest and Fiscal Charges	1,928,685	0	0	(1,928,685)
Total Governmental Activities	\$50,012,560	\$2,359,065	\$4,897,061	(42,756,434)

General Revenues:

Property Taxes Levied for:

General Purposes	24,382,072
Debt Service Purposes	2,252,881
Capital Projects Purposes	3,227,794
Grants and Entitlements not Restricted to Specific Programs	14,585,748
Revenue in Lieu of Taxes	67,765
Unrestricted Contributions	17,538
Investment Earnings	31,149
Other Revenues	129,305

Total General Revenues 44,694,252

Change in Net Assets 1,937,818

Net Assets Beginning of Year 34,191,398

Net Assets End of Year \$36,129,216

See accompanying notes to the basic financial statements.

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Loveland City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Permanent Improvement	Other Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$6,592,513	\$2,787,066	\$2,619,845	\$1,526,303
Restricted Cash and Investments	0	0	0	23,692
Receivables:				
Taxes	23,808,610	2,272,274	3,095,077	0
Accounts	8,583	0	0	0
Interest	6,219	0	0	0
Intergovernmental	106,510	0	0	0
Inventory	0	0	0	31,524
Total Assets	30,522,435	5,059,340	5,714,922	1,581,519
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	76,468	0	11,366	58,397
Accrued Wages and Benefits	4,937,862	0	18,797	440,621
Compensated Absences	151,991	0	0	0
Retainage Payable	0	0	0	23,692
Contracts Payable	0	0	0	152,594
Deferred Revenue	16,088,509	1,546,849	2,055,173	0
Tax Anticipation Notes Payable	0	0	6,000,000	0
Total Liabilities	21,254,830	1,546,849	8,085,336	675,304
Fund Balances:				
Nonspendable	0	0	0	31,524
Restricted	0	3,512,491	0	1,156,298
Assigned	77,364	0	0	0
Unassigned	9,190,241	0	(2,370,414)	(281,607)
Total Fund Balances	9,267,605	3,512,491	(2,370,414)	906,215
Total Liabilities and Fund Balances	\$30,522,435	\$5,059,340	\$5,714,922	\$1,581,519

See accompanying notes to the basic financial statements.

Total Governmental Funds
\$13,525,727
23,692
29,175,961
8,583
6,219
106,510
31,524
<u>42,878,216</u>
146,231
5,397,280
151,991
23,692
152,594
19,690,531
6,000,000
<u>31,562,319</u>
31,524
4,668,789
77,364
6,538,220
<u>11,315,897</u>
<u>\$42,878,216</u>

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Loveland City School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balance		\$11,315,897
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.		50,785,875
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	998,546	
Interest	<u>5,362</u>	
		1,003,908
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.		(520,096)
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		(1,692,629)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		264,298
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(25,028,037)</u>
Net Assets of Governmental Activities		<u>\$36,129,216</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, 2011

	General	Debt Service	Permanent Improvement	Other Governmental Funds
Revenues:				
Taxes	\$24,476,091	\$2,262,318	\$3,240,623	\$0
Revenue in lieu of taxes	67,765	0	0	0
Tuition and Fees	736,703	0	0	0
Investment Earnings	24,156	0	0	217
Intergovernmental	14,434,131	295,589	494,507	4,258,583
Extracurricular Activities	249,379	0	0	215,463
Charges for Services	14,866	0	0	1,121,958
Other Revenues	118,745	0	1,415	48,794
Total Revenues	40,121,836	2,557,907	3,736,545	5,645,015
Expenditures:				
Current:				
Instruction:				
Regular	18,686,446	0	549,078	563,061
Special	4,918,909	0	582	1,185,921
Vocational	176,374	0	0	0
Other	790,642	0	0	139,025
Support Services:				
Pupil	2,200,947	0	0	260,504
Instructional Staff	981,928	0	8,958	342,323
General Administration	101,631	0	0	0
School Administration	2,882,962	3,212	14,479	894
Fiscal	928,419	27,262	39,062	0
Business	231,888	0	0	0
Operations and Maintenance	2,231,774	0	681,568	389,131
Pupil Transportation	2,581,396	0	216,823	457,305
Central	494,140	0	368,110	18,650
Operation of Non-Instructional Services	25,790	0	0	2,229,147
Extracurricular Activities	888,642	0	0	362,448
Capital Outlay	29,267	0	92,383	1,583,344
Debt Service:				
Principal Retirement	255,000	1,057,922	0	0
Interest and Fiscal Charges	0	1,412,278	303,750	0
Total Expenditures	38,406,155	2,500,674	2,274,793	7,531,753
Excess of Revenues Over (Under) Expenditures	1,715,681	57,233	1,461,752	(1,886,738)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,467	0	0	0
Transfers In	0	0	0	36,226
Transfers (Out)	(36,226)	0	0	0
Total Other Financing Sources (Uses)	(34,759)	0	0	36,226
Net Change in Fund Balance	1,680,922	57,233	1,461,752	(1,850,512)
Fund Balance Beginning of Year, Restated	7,586,683	3,455,258	(3,832,166)	2,756,727
Fund Balance End of Year	\$9,267,605	\$3,512,491	(\$2,370,414)	\$906,215

See accompanying notes to the basic financial statements.

<hr/> <hr/>	
Total	
Governmental	
Funds	
<hr/>	
\$29,979,032	
67,765	
736,703	
24,373	
19,482,810	
464,842	
1,136,824	
168,954	
<hr/>	
52,061,303	
<hr/>	
19,798,585	
6,105,412	
176,374	
929,667	
2,461,451	
1,333,209	
101,631	
2,901,547	
994,743	
231,888	
3,302,473	
3,255,524	
880,900	
2,254,937	
1,251,090	
1,704,994	
1,312,922	
1,716,028	
<hr/>	
50,713,375	
<hr/>	
1,347,928	
<hr/>	
1,467	
36,226	
(36,226)	
<hr/>	
1,467	
<hr/>	
1,349,395	
<hr/>	
9,966,502	
<hr/>	
\$11,315,897	
<hr/> <hr/>	

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, 2011

Net Change in Fund Balance - Total Governmental Funds		\$1,349,395
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital assets used in governmental activities	2,035,202	
Depreciation Expense	<u>(2,349,795)</u>	(314,593)
<p>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.</p>		
		(89,435)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Delinquent Property Taxes	(116,287)	
Interest	<u>5,362</u>	(110,925)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		1,312,922
<p>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.</p>		
Accrued Interest		(10,576)
<p>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.</p>		
Compensated Absences	3,111	
Amortization of Bond Issuance Cost	(28,399)	
Amortization of Bond Premium	131,762	
Bond Accretion	<u>(305,444)</u>	(198,970)
Change in Net Assets of Governmental Activities		<u><u>\$1,937,818</u></u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$4,000	\$173,566
Total Assets	<u>4,000</u>	<u>173,566</u>
Liabilities:		
Accounts Payable	0	440
Other Liabilities	0	173,126
Total Liabilities	<u>0</u>	<u>\$173,566</u>
Net Assets:		
Held in Trust	<u>4,000</u>	
Total Net Assets	<u>\$4,000</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, 2011

	Private Purpose Trust
Additions:	
Donations	<u>\$4,000</u>
Total Additions	<u>4,000</u>
Deductions:	
Scholarships	<u>2,000</u>
Total Deductions	<u>2,000</u>
Change in Net Assets	2,000
Net Assets Beginning of Year	<u>2,000</u>
Net Assets End of Year	<u><u>\$4,000</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, 2011

Note 1 - Description of the District

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

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

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

Reporting Entity

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, 2011

Public Entity Risk Pools:
Greater Cincinnati Insurance Consortium

These organizations are presented in Notes 13 and 15.

Note 2 - Summary of Significant Accounting Policies

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

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, 2011

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, 2011

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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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, 2011

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2011. 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 Rule2A7 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, 2011.

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 \$24,156 and \$217 in Other Governmental Funds.

Inventory

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

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, 2011

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 \$3,115,699 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, 2011

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 Balance

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

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

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

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

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

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

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

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

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

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

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

Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, none of the District's bank balance of \$2,808,251 was exposed to custodial risk.

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

Investments

As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
First American Treasury Obligation	\$13,727	0.00
STAROhio	1,888,794	0.16
U.S. Treasury Bill	1,722,723	0.84
Federal Home Loan Bank	2,547,903	1.34
Freddie Mac	4,321,192	1.82
Fannie Mae	525,159	1.34
	<u>\$11,019,498</u>	
Portfolio Weighted Average Maturity		1.25

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

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s Investments in Federal Home Loan Bank, U.S. Treasury Bill, Freddie Mac and Fannie Mae 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. Investments in First American Treasury Obligation were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 17% of the District’s investments in STAROhio, less than 1% in First American Treasury Obligation, 23% in Federal Home Loan Bank, 16% in U.S. Treasury Bill, 5% in Fannie Mae and 39% in Freddie Mac.

Loveland City School District, Ohio
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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

Real property taxes collected in 2011 were levied in April on the assessed values as of January 1, 2010, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 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 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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 2011, 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, 2011. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2011 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, 2011, was \$7,831,973 for General Fund, \$725,425 for Debt Service Fund and \$1,039,904 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 2011 operations.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$770,570,000
Public Utility	<u>10,030,000</u>
Total	<u><u>\$780,600,000</u></u>

Note 5 – Receivables

Receivables at June 30, 2011 consisted of taxes, accounts, interest and intergovernmental receivable. All receivables are considered collectible in full.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,436,356	\$0	\$0	\$1,436,356
Construction in Progress	3,688,178	1,551,895	0	5,240,073
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	77,435,290	0	0	77,435,290
Equipment	<u>11,375,066</u>	<u>483,307</u>	<u>1,425,011</u>	<u>10,433,362</u>
Totals at Historical Cost	<u>93,934,890</u>	<u>2,035,202</u>	<u>1,425,011</u>	<u>94,545,081</u>
Less Accumulated Depreciation:				
Buildings and Improvements	36,051,253	1,430,524	0	37,481,777
Equipment	<u>6,693,734</u>	<u>919,271</u>	<u>1,335,576</u>	<u>6,277,429</u>
Total Accumulated Depreciation	<u>42,744,987</u>	<u>2,349,795</u>	<u>1,335,576</u>	<u>43,759,206</u>
Governmental Activities Capital Assets, Net	<u>\$51,189,903</u>	<u>(\$314,593)</u>	<u>\$89,435</u>	<u>\$50,785,875</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,585,338
Special	19,938
Support Services:	
Pupil	4,700
Instructional Staff	53,751
School Administration	36,233
Fiscal	8,856
Business	4,416
Operations and Maintenance	129,888
Pupil Transportation	112,178
Central	233,808
Operation of Non-Instructional Services	48,824
Extracurricular Activities	111,865
Total Depreciation Expense	<u><u>\$2,349,795</u></u>

Note 7 - Notes Payable

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

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

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

Loveland City School District, Ohio
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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>
Governmental Activities:						
General Obligation Bonds:						
Bond Issue						
1999 5.00%	12/1/15	\$526,563	\$0	\$277,922	\$248,641	\$248,641
Refunding Bonds:						
Current Interest Bonds -						
School Improvement						
2005 4.65%	12/1/24	11,505,000	0	780,000	10,725,000	885,000
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						
		1,107,297	305,444	0	1,412,741	0
Premium on 2005 Refunding Bonds						
		1,410,998	0	94,067	1,316,931	0
General Obligation Unlimited						
Tax Refunding Bonds						
2010 3.00%						
	12/1/15	4,255,000	0	0	4,255,000	0
Premium on 2010 Refunding Bonds						
		226,170	0	37,695	188,475	0
School Energy Improvement Bonds						
2010 0.00%	6/1/24	5,810,000	0	255,000	5,555,000	310,000
Total General Obligation Bonds						
		26,167,277	305,444	1,444,684	25,028,037	1,443,641
Compensated Absences						
		1,879,911	193,085	228,376	1,844,620	251,706
Long-Term Debt						
		\$28,047,188	\$498,529	\$1,673,060	\$26,872,657	\$1,695,347

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
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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
2012	\$1,443,641	\$1,426,933	\$2,870,574	\$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	3,075,000	505,138	3,580,138	0	0	0
2017-2021	5,890,000	1,739,401	7,629,401	0	0	0
2022-2025	5,995,000	605,500	6,600,500	0	0	0
Total	<u>\$20,783,641</u>	<u>\$8,388,509</u>	<u>\$29,172,150</u>	<u>\$1,326,249</u>	<u>\$2,358,751</u>	<u>\$3,685,000</u>

Note 9 - Pension Plans

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 under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% 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, 2011, 2010, and 2009 were \$988,056, \$1,065,240, and \$1,032,336, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
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State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st 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.

Loveland City School District, Ohio
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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.

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.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
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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, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$3,026,328, \$2,774,940, and \$2,680,140, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 10- Post Employment Benefits

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.

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 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$53,637, \$57,827 and \$55,304, 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.

Loveland City School District, Ohio
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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, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, 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, 2011, 2010, and 2009 were \$100,923, \$35,001, and \$306,751, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

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

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

Loveland City School District, Ohio
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STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting 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, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$216,166, \$198,210, and \$191,439, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 11 - Contingent Liabilities

Grants

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2011.

Litigation

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

Note 12 - Jointly Governed Organizations

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

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

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

Note 13 - Risk Management

The District constantly faces the risk of loss of assets by fire, storm, theft, accident or other catastrophes. Generally, the District shifts the burden of such losses by entering into a casualty insurance contract whereby an insurance company, in consideration of a premium payment, assumes the risk of all or a portion of these losses. 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.

Loveland City School District, Ohio
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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.

Note 14 - Insurance Purchasing Pool

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

Note 15 – Accountability

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	\$178,471
Title I	75,014
Improving Teacher Quality	23,981
EHA Preschool	4,141
Capital Projects Fund:	
Permanent Improvement	2,370,414

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

Note 16 - Fund Balance Reserves for Set-Asides

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

For fiscal year ended June 30, 2011, 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>
Set Aside Reserve Balance as of June 30, 2010	(\$1,617,161)	\$0
Current Year Set Aside Requirements	733,762	733,762
Qualified Disbursements	(1,255,347)	(453,627)
Current Year Offsets	0	(280,135)
Set Aside Reserve Balance as of June 30, 2011	<u>(\$2,138,746)</u>	<u>\$0</u>
Restricted Cash as of June 30, 2011	<u>\$0</u>	<u>\$0</u>
Carried Forward as of June 30, 2011	<u>(\$2,138,746)</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 \$2,138,746 for carryover to offset textbook requirements in future years.

Note 17 – Prior Year Defeasance of Debt

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, 2011, \$21,295,000 of bonds outstanding are considered defeased.

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 18 – Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Inventory	\$0	\$0	\$0	\$31,524	\$31,524
Total Nonspendable	0	0	0	31,524	31,524
Restricted for:					
Learning Links	0	0	0	20,983	20,983
Athletic	0	0	0	185,818	185,818
Auxiliary Services	0	0	0	20,749	20,749
Food Service	0	0	0	256,294	256,294
Building	0	0	0	672,454	672,454
Debt Service	0	3,512,491	0	0	3,512,491
Total Restricted	0	3,512,491	0	1,156,298	4,668,789
Assigned to:					
Encumbrances	77,364	0	0	0	77,364
Total Assigned	77,364	0	0	0	77,364
Unassigned (Deficit)	9,190,241	0	(2,370,414)	(281,607)	6,538,220
Total Fund Balance	\$9,267,605	3,512,491	(\$2,370,414)	\$906,215	\$11,315,897

Loveland City School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 19 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

Restatement of Fund Balance

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
	<u> </u>	<u> </u>
Fund Balance, June 30, 2010	\$7,345,028	\$2,998,382
Fund Reclassification	241,655	(241,655)
Fund Balance, June 30, 2010 - Restated	<u>\$7,586,683</u>	<u>\$2,756,727</u>

REQUIRED SUPPLEMENTARY INFORMATION

Loveland City School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$22,680,241	\$22,592,260	\$22,592,260	\$0
Revenue in lieu of taxes	174,954	174,275	174,275	0
Tuition and Fees	700,040	697,324	697,324	0
Investment Earnings	58,524	58,297	58,297	0
Intergovernmental	14,490,342	14,434,131	14,434,131	0
Charges for Services	14,924	14,866	14,866	0
Other Revenues	104,880	104,473	104,473	0
Total Revenues	38,223,905	38,075,626	38,075,626	0
Expenditures:				
Current:				
Instruction:				
Regular	19,596,890	20,610,922	18,618,872	1,992,050
Special	5,192,072	5,456,918	4,929,506	527,412
Vocational	184,917	194,350	175,566	18,784
Other	834,672	877,248	792,462	84,786
Support Services:				
Pupil	2,333,407	2,452,433	2,215,405	237,028
Instructional Staff	1,034,450	1,087,217	982,137	105,080
General Administration	107,044	112,505	101,631	10,874
School Administration	3,025,392	3,179,716	2,872,396	307,320
Fiscal	999,671	1,050,664	949,117	101,547
Business	243,456	255,874	231,144	24,730
Operations and Maintenance	2,319,577	2,437,898	2,202,275	235,623
Pupil Transportation	2,706,064	2,844,100	2,569,217	274,883
Central	593,407	623,676	563,398	60,278
Operation of Non-Instructional Services	29,283	30,777	27,802	2,975
Extracurricular Activities	642,027	674,776	609,559	65,217
Capital Outlay	32,312	33,960	30,678	3,282
Debt Service:				
Principal Retirement	282,283	282,283	255,000	27,283
Total Expenditures	40,156,924	42,205,317	38,126,165	4,079,152
Excess of Revenues Over (Under) Expenditures	(1,933,019)	(4,129,691)	(50,539)	4,079,152
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,473	1,467	1,467	0
Transfers (Out)	(80,286)	(84,381)	(76,226)	8,155
Total Other Financing Sources (Uses)	(78,813)	(82,914)	(74,759)	8,155
Net Change in Fund Balance	(2,011,832)	(4,212,605)	(125,298)	4,087,307
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,296,605	6,296,605	6,296,605	0
Fund Balance End of Year	\$4,284,773	\$2,084,000	\$6,171,307	\$4,087,307

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, 2011

Note 1 - Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2011.

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, 2011

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	\$1,680,922
Revenue Accruals	(2,046,210)
Expenditures Accruals	424,727
Transfers (Out)	(40,000)
Encumbrances	<u>(144,737)</u>
Budget Basis	<u><u>(\$125,298)</u></u>

LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed through Ohio Department of Education:</i>					
Non-Cash Assistance:					
National School Lunch Program	10.555	\$ -	\$ 104,376	\$ -	\$ 104,376
Cash Assistance:					
National School Lunch	10.555	292,144		292,144	
Total U.S. Department of Agriculture		292,144	104,376	292,144	104,376
U.S. DEPARTMENT OF EDUCATION					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I - Grants to Local Educational Agencies	84.010	319,641	-----	331,118	-----
ARRA, Title I - Grants to Local Educational Agencies	84.389	62,802	-----	71,810	-----
<i>Total Title I</i>		382,443	-	402,928	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY11	84.027	832,731	-----	857,480	-----
ARRA, IDEA Part B	84.391	459,071	-----	522,633	-----
Educational Handicapped Preschool					
Preschool Subsidy - FY 11	84.173	13,643	-----	13,643	-----
ARRA, Preschool Subsidy	84.392	14,555	-----	14,555	-----
<i>Total Special Education Cluster</i>		1,320,000	-	1,408,311	-
Additional Programs:					
Title II D- Educational Technology - FY 11	84.318	1,065	-----	1,065	-----
Title II, Improving Teacher Quality - FY 11	84.367	119,455	-----	119,455	-----
Education Jobs Program - FY11	84.410	585,410		585,410	
ARRA, State Fiscal Stabilization Fund - FY 11	84.394	867,819	-----	867,819	-----
<i>Total Additional Programs</i>		1,573,749	-	1,573,749	-
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education - FY10	84.048	9,014	-----	9,014	-----
<i>Total Vocational Education</i>		9,014		9,014	
Total Department of Education		3,285,206	-	3,394,002	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 3,577,350	\$ 104,376	\$ 3,686,146	\$ 104,376

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

**LOVELAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and 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 Government 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.



Dave Yost • 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2012. 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 opinion 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*.

Loveland City School District
Hamilton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and On Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

January 30, 2012



Dave Yost • 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 could directly and materially affect each of Loveland City School District's major federal programs for the year ended June 30, 2011. 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over 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.

Loveland City School District
Hamilton County
Independent Accountants' Report on Compliance With
Requirements Applicable to Each Major Federal Program
And On Internal Control Over Compliance in Accordance
With OMB Circular A-133
Page 2

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, others within the entity, 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 "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

January 30, 2012

**LOVELAND CITY LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster, CFDA # 84.027, 84.391, 84.392 and 84.173 Education Jobs Fund, CFDA # 84.410 State Fiscal Stabilization Fund CFDA # 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Loveland City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on 11/16/10 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 30, 2012

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Dave Yost • Auditor of State

LOVELAND CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 21, 2012