

**LOVELAND CITY SCHOOL DISTRICT**



**Basic Financial Statements**

**June 30, 2016**

**PLATTENBURG**  
Certified Public Accountants





# Dave Yost • Auditor of State

Board of Education  
Loveland City School District  
757 South Lebanon Road  
Loveland, Ohio 45140

We have reviewed the *Independent Auditor's Report* of the Loveland City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Loveland City School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 21, 2017

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Loveland City School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loveland City School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 20, 2016

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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The discussion and analysis of Loveland City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- Net position of governmental activities increased \$4,417,883 which represents a 19% increase from 2015.
- General revenues accounted for \$49,887,532 in revenue or 88.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,528,178 or 11.6% of total revenues of \$56,415,710.
- The District had \$51,997,827 in expenses related to governmental activities; \$6,528,178 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$49,887,532 were adequate to provide for these programs.

### **Overview of the Financial Statements**

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General 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 2016?" The Government-wide Financial Statements answers this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**Fund Financial Statements**

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

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

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

**The District as a Whole**

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

Table 1 provides a summary of the District's net position for 2016 compared to 2015:

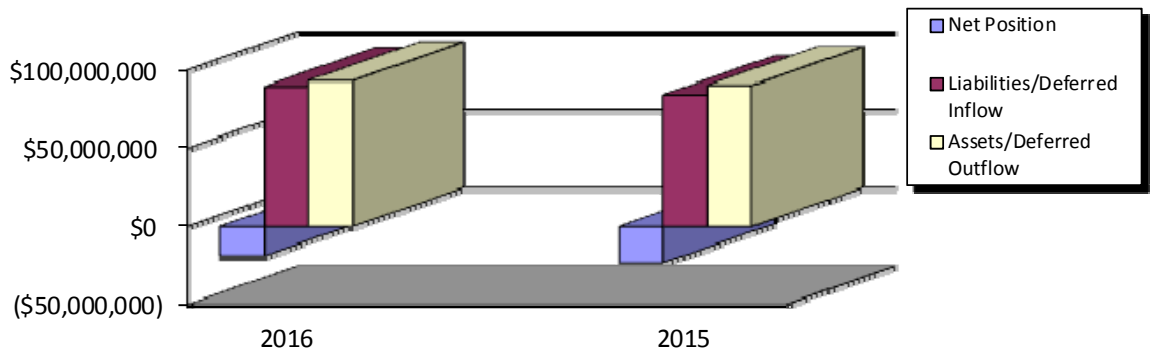
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**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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

	Governmental Activities	
	2016	2015
Assets:		
Current and Other Assets	\$52,829,461	\$48,989,076
Capital Assets	40,413,451	41,218,923
Total Assets	93,242,912	90,207,999
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	58,275	65,131
	10,659,914	4,639,272
Total Deferred Outflows of Resources	10,718,189	4,704,403
Liabilities:		
Other Liabilities	5,157,157	4,901,231
Long-Term Liabilities	84,308,330	79,294,686
Total Liabilities	89,465,487	84,195,917
Deferred Inflows of Resources:		
Property Taxes	24,967,506	22,502,690
Grants and Other Taxes	388,613	375,000
Pension	7,847,444	10,964,627
Total Deferred Inflows of Resources	33,203,563	33,842,317
Net Position:		
Net Investment in Capital Assets	26,874,735	24,067,483
Restricted	4,202,965	6,037,002
Unrestricted	(49,785,649)	(53,230,317)
Total Net Position	(\$18,707,949)	(\$23,125,832)



**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$18,707,949.

At year end, capital assets represented 43% 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, 2016, totaled \$26,874,735. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,202,965, represents resources that are subject to external restriction on how they must be used. The remaining balance is unrestricted net position of \$(49,785,649). The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Long-term liabilities increased primarily due to the increase in net pension liability.

Table 2 shows the change in net position for fiscal year 2016 with comparisons to fiscal year 2015.

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**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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

	Governmental Activities	
	2016	2015
Program Revenues:		
Charges for Services and Sales	\$2,271,877	\$2,249,884
Operating Grants and Contributions	4,256,301	4,434,544
General Revenue:		
Property Taxes	33,014,783	35,164,284
Grants and Entitlements	15,967,135	15,757,850
Other	905,614	584,136
Total Revenues	<u>56,415,710</u>	<u>58,190,698</u>
Program Expenses:		
Instruction	30,832,056	28,712,541
Support Services:		
Pupil and Instructional Staff	4,719,448	4,561,516
General and School Administrative, Fiscal and Business	4,490,664	4,249,503
Operations and Maintenance	3,155,178	3,298,532
Pupil Transportation	3,748,660	3,391,376
Central	1,296,223	946,791
Operation of Non-Instructional Services	1,906,845	1,798,625
Extracurricular Activities	1,572,008	1,468,996
Interest and Fiscal Charges	276,745	459,247
Total Expenses	<u>51,997,827</u>	<u>48,887,127</u>
Change in Net Position	4,417,883	9,303,571
Beginning - Net Position	<u>(23,125,832)</u>	<u>(32,429,403)</u>
Ending - Net Position	<u><u>(\$18,707,949)</u></u>	<u><u>(\$23,125,832)</u></u>

The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 87% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later

**Loveland City School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

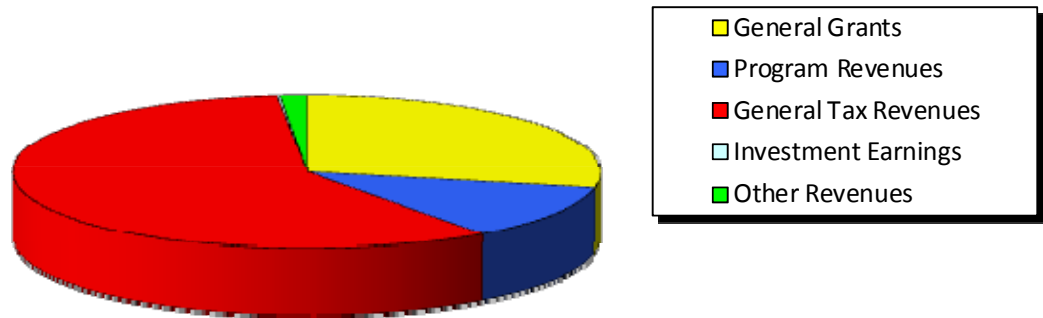
Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 59% of revenue for governmental activities for the District in fiscal year 2016.

**Governmental Activities**

**Revenue Sources**

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<u>Revenue Sources</u>	<u>2016</u>	<u>Percentage</u>
General Grants	\$15,967,135	28.30%
Program Revenues	6,528,178	11.57%
General Tax Revenues	33,014,783	58.52%
Investment Earnings	90,287	0.16%
Other Revenues	815,327	1.45%
Total Revenue Sources	<u>\$56,415,710</u>	<u>100.00%</u>



Instruction comprises 59% of governmental program expenses. Support services expenses were 34% of governmental program expenses. All other expenses including interest expense were 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenue decreased in 2016 compared to 2015 mainly due to an decrease in property tax receipts. Instruction Expenses increased mainly due to regular expenses.

**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.

**Loveland City School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$30,832,056	\$28,712,541	(\$27,150,556)	(\$24,814,417)
Support Services:				
Pupil and Instructional Staff	4,719,448	4,561,516	(4,579,791)	(4,398,671)
General and School Administrative, Fiscal and Business	4,490,664	4,249,503	(4,478,503)	(4,230,630)
Operations and Maintenance	3,155,178	3,298,532	(3,116,377)	(3,263,701)
Pupil Transportation	3,748,660	3,391,376	(3,629,207)	(3,283,910)
Central	1,296,223	946,791	(1,285,423)	(939,591)
Operation of Non-Instructional Services	1,906,845	1,798,625	(80,537)	34,794
Extracurricular Activities	1,572,008	1,468,996	(872,510)	(847,326)
Interest and Fiscal Charges	276,745	459,247	(276,745)	(459,247)
Total Expenses	<u>\$51,997,827</u>	<u>\$48,887,127</u>	<u>(\$45,469,649)</u>	<u>(\$42,202,699)</u>

**The District’s Funds**

The District has two major governmental funds: the General Fund and Permanent Improvement Fund. Assets of these funds comprised \$49,032,324 (94%) of the total \$52,348,642 governmental funds’ assets.

**General Fund:** Fund balance at June 30, 2016 was \$16,922,185, an increase in fund balance of \$3,173,101 from 2015. The primary reason for the increase in fund balance was due to an increase in cash and investments.

**Permanent Improvement Fund:** Fund balance at June 30, 2016 was \$2,590,941, a decrease of \$202,501 from 2015. The decrease in fund balance was mainly due to a decrease in property tax revenue.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2016, the District amended its general fund budget several times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budgeted revenue was \$49,056,712, compared to original budget estimates of \$47,272,012. Of the \$1,784,700 difference, most was due to an underestimate for taxes and intergovernmental revenue.

**Loveland City School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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The District’s ending unobligated cash balance for the general fund was \$11,849,252.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$40,413,451 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

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

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	Governmental Activities	
	2016	2015
Land	\$1,436,356	\$1,436,356
Construction in Progress	406,992	0
Buildings and Improvements	35,528,627	37,313,395
Equipment	3,041,476	2,469,172
Total Net Capital Assets	<u>\$40,413,451</u>	<u>\$41,218,923</u>

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

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

***Debt***

At June 30, 2016, the District had \$14,002,925 in debt outstanding, \$1,356,454 due within one year. Table 5 summarizes total debt outstanding.

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**Loveland City School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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

	Governmental Activities	
	2016	2015
Bonds Payable:		
Refunding Bonds:		
Current Interest Bonds -		
2005 School Improvement	0	1,515,000
Capital Appreciation Bonds		
2010 Tax Refunding Bonds	0	1,120,000
Premium on 2010 Refunding Bonds	0	37,695
2010 School Energy Improvement Bonds	3,560,000	4,000,000
2013 Refunding Bonds - Current Interest Bonds	7,600,000	7,820,000
2013 Refunding Bonds - Capital Appreciation Bonds	340,000	340,000
Accretion of Interest	405,934	255,624
Premium on 2013 Refunding Bonds	1,512,920	1,690,911
Capital Lease Payable:		
Bus Lease for 2 Busses	113,586	134,763
Bus Lease for 8 Busses	470,485	558,202
<b>Total Outstanding Debt at Year End</b>	<b><u>\$14,002,925</u></b>	<b><u>\$17,472,195</u></b>

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

**For the Future**

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

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

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

**Loveland City School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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

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

**Contacting the District's Financial Management**

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

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Loveland City School District, Ohio  
Statement of Net Position  
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,407,519
Restricted Cash and Investments	40,189
Receivables (Net):	
Taxes	35,729,443
Intergovernmental	595,601
Inventory	56,709
Nondepreciable Capital Assets	1,843,348
Depreciable Capital Assets, Net	<u>38,570,103</u>
 Total Assets	 <u>93,242,912</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	58,275
	<u>10,659,914</u>
 Total Deferred Outflows of Resources	 <u>10,718,189</u>
Liabilities:	
Accounts Payable	141,862
Accrued Wages and Benefits	4,465,945
Contracts Payable	419,795
Retainage Payable	40,189
Accrued Interest Payable	31,189
Claims Payable	58,177
Long-Term Liabilities:	
Due Within One Year	1,682,343
Due In More Than One Year	
Net Pension Liability	69,289,431
Other Amounts	<u>13,336,556</u>
 Total Liabilities	 <u>89,465,487</u>
Deferred Inflows of Resources:	
Property Taxes	24,967,506
Grants and Other Taxes	388,613
Pension	<u>7,847,444</u>
 Total Deferred Inflows of Resources	 <u>33,203,563</u>
Net Position:	
Net Investment in Capital Assets	26,874,735
Restricted for:	
Debt Service	1,374,241
Capital Projects	2,644,779
Learning Links	27,902
Athletic	49,989
Auxiliary Services	16,298
Food Service	86,350
Federal Grants	3,406
Unrestricted	<u>(49,785,649)</u>
 Total Net Position	 <u><u>(\$18,707,949)</u></u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$22,577,929	\$610,926	\$594,696	(\$21,372,307)
Special	7,211,346	53,594	2,282,818	(4,874,934)
Vocational	106,951	0	42,324	(64,627)
Other	935,830	2,997	94,145	(838,688)
<b>Support Services:</b>				
Pupil	3,360,143	0	137,442	(3,222,701)
Instructional Staff	1,359,305	0	2,215	(1,357,090)
General Administration	155,827	0	0	(155,827)
School Administration	2,909,778	12,161	0	(2,897,617)
Fiscal	1,194,244	0	0	(1,194,244)
Business	230,815	0	0	(230,815)
Operations and Maintenance	3,155,178	37,867	934	(3,116,377)
Pupil Transportation	3,748,660	0	119,453	(3,629,207)
Central	1,296,223	0	10,800	(1,285,423)
Operation of Non-Instructional Services	1,906,845	861,249	965,059	(80,537)
Extracurricular Activities	1,572,008	693,083	6,415	(872,510)
Interest and Fiscal Charges	276,745	0	0	(276,745)
<b>Total Governmental Activities</b>	<b>\$51,997,827</b>	<b>\$2,271,877</b>	<b>\$4,256,301</b>	<b>(45,469,649)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	28,723,176
Debt Service Purposes	1,303,299
Capital Projects Purposes	2,988,308
Grants and Entitlements, Not Restricted	15,967,135
Revenue in Lieu of Taxes	388,637
Unrestricted Contributions	2,601
Investment Earnings	90,287
Other Revenues	424,089

Total General Revenues 49,887,532

Change in Net Position 4,417,883

Net Position - Beginning of Year (23,125,832)

Net Position - End of Year (\$18,707,949)

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$12,506,946	\$2,148,694	\$1,271,060	\$15,926,700
Restricted Cash and Investments	0	40,189	0	40,189
Taxes	30,829,034	3,118,848	1,781,561	35,729,443
Intergovernmental	388,613	0	206,988	595,601
Inventory	0	0	56,709	56,709
<b>Total Assets</b>	<b>43,724,593</b>	<b>5,307,731</b>	<b>3,316,318</b>	<b>52,348,642</b>
<b>Liabilities:</b>				
Accounts Payable	53,978	67,219	20,665	141,862
Accrued Wages and Benefits	4,142,250	0	323,695	4,465,945
Compensated Absences	252,248	0	2,590	254,838
Contracts Payable	0	419,795	0	419,795
Retainage Payable	0	40,189	0	40,189
<b>Total Liabilities</b>	<b>4,448,476</b>	<b>527,203</b>	<b>346,950</b>	<b>5,322,629</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	21,965,319	2,189,577	1,421,503	25,576,399
Grants and Other Taxes	388,613	0	158,203	546,816
<b>Total Deferred Inflows of Resources</b>	<b>22,353,932</b>	<b>2,189,577</b>	<b>1,579,706</b>	<b>26,123,215</b>
<b>Fund Balances:</b>				
Restricted	0	2,590,951	1,583,611	4,174,562
Assigned	959,193	0	0	959,193
Unassigned	15,962,992	0	(193,949)	15,769,043
<b>Total Fund Balances</b>	<b>16,922,185</b>	<b>2,590,951</b>	<b>1,389,662</b>	<b>20,902,798</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$43,724,593</b>	<b>\$5,307,731</b>	<b>\$3,316,318</b>	<b>\$52,348,642</b>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2016

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Total Governmental Fund Balance		\$20,902,798
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		40,413,451
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	\$608,893	
Intergovernmental	<u>158,203</u>	
		767,096
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
Internal Service Net Position		422,642
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(31,189)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(761,136)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		58,275
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$10,659,914	
Deferred inflows of resources related to pensions	<u>(7,847,444)</u>	
		2,812,470
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$69,289,431)	
Other Amounts	<u>(14,002,925)</u>	
		<u>(83,292,356)</u>
Net Position of Governmental Activities		<u><u>(\$18,707,949)</u></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, 2016

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$28,345,820	\$2,989,482	\$1,305,972	\$32,641,274
Tuition and Fees	745,427	0	0	745,427
Investment Earnings	85,436	4,157	694	90,287
Intergovernmental	17,217,018	463,653	2,429,786	20,110,457
Extracurricular Activities	330,921	0	284,252	615,173
Charges for Services	12,161	0	861,249	873,410
Revenue in Lieu of Taxes	388,613	0	0	388,613
Other Revenues	860,251	1,938	31,755	893,944
<b>Total Revenues</b>	<b>47,985,647</b>	<b>3,459,230</b>	<b>4,913,708</b>	<b>56,358,585</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	20,912,511	403,669	15,179	21,331,359
Special	6,132,588	0	1,106,937	7,239,525
Vocational	108,747	0	0	108,747
Other	840,517	0	104,771	945,288
<b>Support Services:</b>				
Pupil	3,257,572	0	134,240	3,391,812
Instructional Staff	1,351,142	6,966	2,728	1,360,836
General Administration	68,934	85,081	1,940	155,955
School Administration	2,932,121	0	0	2,932,121
Fiscal	1,110,692	39,985	22,373	1,173,050
Business	176,069	0	0	176,069
Operations and Maintenance	2,786,194	411,011	1,590	3,198,795
Pupil Transportation	3,285,109	838,100	0	4,123,209
Central	686,766	432,414	10,800	1,129,980
Operation of Non-Instructional Services	11	0	1,861,489	1,861,500
Extracurricular Activities	1,135,944	0	336,625	1,472,569
Capital Outlay	25,376	879,326	0	904,702
<b>Debt Service:</b>				
Principal Retirement	0	548,894	2,855,000	3,403,894
Interest and Fiscal Charges	0	16,285	318,575	334,860
<b>Total Expenditures</b>	<b>44,810,293</b>	<b>3,661,731</b>	<b>6,772,247</b>	<b>55,244,271</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>3,175,354</b>	<b>(202,501)</b>	<b>(1,858,539)</b>	<b>1,114,314</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	247	0	0	247
Transfers In	0	0	2,500	2,500
Transfers (Out)	(2,500)	0	0	(2,500)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,253)</b>	<b>0</b>	<b>2,500</b>	<b>247</b>
<b>Net Change in Fund Balance</b>	<b>3,173,101</b>	<b>(202,501)</b>	<b>(1,856,039)</b>	<b>1,114,561</b>
<b>Fund Balance - Beginning of Year</b>	<b>13,749,084</b>	<b>2,793,452</b>	<b>3,245,701</b>	<b>19,788,237</b>
<b>Fund Balance - End of Year</b>	<b>\$16,922,185</b>	<b>\$2,590,951</b>	<b>\$1,389,662</b>	<b>\$20,902,798</b>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balance - Total Governmental Funds		\$1,114,561
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	\$1,624,592	
Depreciation Expense	<u>(2,389,067)</u>	(764,475)
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.		
		(40,997)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	\$3,981,348	
Cost of benefits earned net of employee contributions	<u>(3,417,338)</u>	564,010
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(\$15,103)	
Intergovernmental	<u>112,978</u>	97,875
Repayment of bond principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		3,403,894
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		(405)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	\$46,404	
Amortization of Bond Premium	215,686	
Amortization of Deferred Charge on Refunding	(6,856)	
Bond Accretion	<u>(150,310)</u>	104,924
The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
Change in Net Position - Internal Service Funds		<u>(61,504)</u>
Change in Net Position of Governmental Activities		<u>\$4,417,883</u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Net Position  
Proprietary Fund  
June 30, 2016

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	<u>Governmental Activities- Internal Service Fund</u>
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$480,819</u>
Total Current Assets	<u>480,819</u>
Liabilities:	
Current Liabilities:	
Claims Payable	<u>58,177</u>
Total Current Liabilities	<u>58,177</u>
Net Position:	
Unrestricted	<u>422,642</u>
Total Net Position	<u>\$422,642</u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2016

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	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	<u>\$87,819</u>
Total Operating Revenues	<u>87,819</u>
Operating Expenses:	
Contactual Services	47,076
Claims	91,217
Other	<u>11,030</u>
Total Operating Expenses	<u>149,323</u>
Change in Net Position	(61,504)
Net Position - Beginning of Year	<u>484,146</u>
Net Position - End of Year	<u><u>\$422,642</u></u>

See accompanying notes to the basic financial statements.



Loveland City School District, Ohio  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2016

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	<u>Governmental Activities- Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$87,819
Cash Payments to Suppliers	(58,106)
Cash Payments for Claims	<u>(68,130)</u>
Net Cash Provided (Used) by Operating Activities	<u>(38,417)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(38,417)
Cash and Cash Equivalents - Beginning of Year	<u>519,236</u>
Cash and Cash Equivalents - End of Year	<u><u>480,819</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(61,504)
Changes in Assets & Liabilities:	
Increase (Decrease) in Claims Payables	<u>23,087</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$38,417)</u></u>

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$949	\$184,419
Total Assets	<u>949</u>	<u>184,419</u>
Liabilities:		
Accounts Payable	0	3,365
Other Liabilities	<u>0</u>	<u>181,054</u>
Total Liabilities	<u>0</u>	<u>\$184,419</u>
Net Position:		
Held in Trust	<u>949</u>	
Total Net Position	<u><u>\$949</u></u>	

See accompanying notes to the basic financial statements.

Loveland City School District, Ohio  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2016

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	Private Purpose Trust
Additions:	
Donations	\$0
Total Additions	0
Deductions:	
Scholarships	58
Total Deductions	58
Change in Net Position	(58)
Net Position - Beginning of Year	1,007
Net Position - End of Year	\$949

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, 2016**

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**Note 1 - Description of the District**

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

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

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

**Reporting Entity**

The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

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

**Parochial Schools**

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

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

Jointly Governed Organizations:

The Southwest Ohio Computer Association  
Hamilton Clermont Cooperative Information Technology Center  
Great Oaks Career Campuses

Public Entity Risk Pools:

Greater Cincinnati Insurance Consortium

These organizations are presented in Notes 12 and 14.

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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

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

**Measurement Focus**

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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

**Fund Accounting**

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

Governmental Funds

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

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

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

Proprietary Fund

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

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service funds of the District accounts for a self-insurance program which provides workers' compensation benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and two agency funds. The private purpose trust fund accounts for scholarship programs for students. The student activities fund is used to account for assets and liabilities generated by student managed activities. The fund accounts for sales and other revenue generating activities by student activity programs, which have students involved in the management of the program. The Section 125 plan accounts for monies voluntarily withheld from employees on a pre-tax basis to reimburse employees for medical and dental expenses not covered by group insurance.

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources include property taxes, pension, grants and other taxes (which include tax incremental financing 'TIF'). Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance year 2017 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes (which include tax incremental financing 'TIF') are reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, grants and other taxes (which include tax incremental financing 'TIF') includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9.)

Expenses/Expenditures

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

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

**Equity in Pooled Cash and Investments**

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.



**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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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 \$85,436, \$4,157 credited to the permanent improvement fund, and \$694 credited to other governmental funds.

**Inventory**

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

**Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**Pensions**

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

**Compensated Absences**

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

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
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The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$4,202,965 in restricted net position, none were restricted by enabling legislation.

**Interfund Activity**

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

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

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

**Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

**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.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
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Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

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

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

**Estimates**

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

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

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
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- (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, 2016, \$1,830,098 of the District's bank balance of \$2,330,098 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**Loveland City School District, Ohio**  
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**Investments**

As of June 30, 2016, the District had the following investments:

	<u>Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$190,238	N/A	0.00
STAR Ohio	12,592,536	N/A	0.13
Negotiable CDs	<u>1,985,485</u>	Level 2	1.95
Total Investments	<u>\$14,768,259</u>		
Portfolio Weighted Average Maturity			0.38

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2016. STAR Ohio is reported at its share price.

**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. Star Ohio is rated AAAM by Standard and Poor. Investments in Money Market Funds and negotiable CD's were not rated.

**Concentration of Credit Risk** – The District's investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 85% in Star Ohio, 1% in Money Market Funds, and 14% in negotiable CD's.

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

**Note 4 - Property Taxes**

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Real property taxes collected in 2016 were levied in April on the assessed values as of January 1, 2015, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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Real property taxes are payable annually or semi-annually. In 2016, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2016. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2016 on the fund financial statements. The entire amount of delinquent taxes receivable is recognized as revenue in the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2016, was \$8,863,715 for General Fund, \$360,058 for Debt Service Fund and \$929,271 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 2016 operations.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$385,561,610
Public Utility	<u>7,726,840</u>
Total	<u><u>\$393,288,450</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2016 consisted of taxes and intergovernmental receivable. All receivables are considered collectible in full.

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 6 - Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$1,436,356	\$0	\$0	\$1,436,356
<b>Capital Assets, being depreciated:</b>				
Buildings and Improvements	82,416,832	406,992	0	82,823,824
Equipment	8,267,042	1,217,600	616,143	8,868,499
Totals at Historical Cost	<u>92,120,230</u>	<u>1,624,592</u>	<u>616,143</u>	<u>93,128,679</u>
Less Accumulated Depreciation:				
Buildings and Improvements	45,103,437	1,784,768	0	46,888,205
Equipment	5,797,870	604,299	575,146	5,827,023
Total Accumulated Depreciation	<u>50,901,307</u>	<u>2,389,067</u>	<u>575,146</u>	<u>52,715,228</u>
Governmental Activities Capital Assets, Net	<u>\$41,218,923</u>	<u>(\$764,475)</u>	<u>\$40,997</u>	<u>\$40,413,451</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,611,833
Special	20,272
Support Services:	
Pupil	4,779
Instructional Staff	54,650
School Administration	36,838
Fiscal	9,004
Business	4,489
Operations and Maintenance	132,059
Pupil Transportation	114,053
Central	237,716
Operation of Non-Instructional Services	49,640
Extracurricular Activities	113,734
Total Depreciation Expense	<u>\$2,389,067</u>

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

**Note 7 - Long-Term Liabilities**

	Maturity Dates	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
<b>General Obligation Bonds:</b>						
1999 Refunding Bonds - Current Interest Bonds 4.65%	12/1/15	\$1,515,000	\$0	\$1,515,000	\$0	\$0
General Obligation Unlimited Tax Refunding Bonds 2010 3.00%	12/1/15	1,120,000	0	1,120,000	0	0
Premium on 2010 Refunding Bonds		37,695	0	37,695	0	0
School Energy Improvement Bonds 2010 0.00%	6/1/24	4,000,000	0	440,000	3,560,000	440,000
2013 Refunding Bonds - Current Interest Bonds 3.00%		7,820,000	0	220,000	7,600,000	805,000
2013 Refunding Bonds - Capital Appreciation Bonds 3.00%		340,000	0	0	340,000	0
Accretion of Interest		255,624	150,310	0	405,934	0
Premium on 2013 Refunding Bonds		1,690,911	0	177,991	1,512,920	0
<b>Total General Obligation Bonds</b>		<b>16,779,230</b>	<b>150,310</b>	<b>3,510,686</b>	<b>13,418,854</b>	<b>1,245,000</b>
<b>Net Pension Liability:</b>						
STRS		48,910,308	9,784,322	2,297,890	56,396,740	0
SERS		11,805,308	2,352,001	1,264,618	12,892,691	0
<b>Total Net Pension Liability</b>		<b>60,715,616</b>	<b>12,136,323</b>	<b>3,562,508</b>	<b>69,289,431</b>	<b>0</b>
<b>Capital Leases Payable:</b>						
Bus Lease for 2 Buses		134,763	0	21,177	113,586	21,675
Bus Lease for 8 Buses		558,202	0	87,717	470,485	89,779
<b>Total Capital Leases</b>		<b>692,965</b>	<b>0</b>	<b>108,894</b>	<b>584,071</b>	<b>111,454</b>
Compensated Absences		1,106,875	281,828	372,729	1,015,974	325,889
<b>Long-Term Debt</b>		<b>\$79,294,686</b>	<b>\$12,568,461</b>	<b>\$7,554,817</b>	<b>\$84,308,330</b>	<b>\$1,682,343</b>

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

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

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

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**Loveland City School District, Ohio**  
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Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$1,245,000	\$242,925	\$1,487,925	\$0	\$0	\$0
2018	1,305,000	217,875	1,522,875	0	0	0
2019	1,415,000	190,275	1,605,275	0	0	0
2020	1,480,000	160,050	1,640,050	0	0	0
2021	450,000	144,450	594,450	180,000	925,000	1,105,000
2022-2025	<u>5,265,000</u>	<u>380,875</u>	<u>5,645,875</u>	<u>160,000</u>	<u>1,025,000</u>	<u>1,185,000</u>
				0	0	
Total	<u>\$11,160,000</u>	<u>\$1,336,450</u>	<u>\$12,496,450</u>	<u>\$340,000</u>	<u>\$1,950,000</u>	<u>\$2,290,000</u>

**Note 8 - Capital Leases**

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In the current year the District entered into capital leases for buses.

The leases for the buses meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the Permanent Improvement Fund.

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

Fiscal Year Ending June 30	Principal
2017	\$125,179
2018	125,179
2019	125,179
2020	125,179
2021	<u>125,180</u>
Total Minimum Lease Payments	\$625,896
Amount Representing Interest	<u>(41,825)</u>
Present Value of Minimum Lease Payments	<u>\$584,071</u>

**Note 9 - Defined Benefit Pension Plans**

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**Net Pension Liability**

Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service, 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
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for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$922,824 for fiscal year 2016. Of this amount \$157,668 is reported as accrued wages and benefits.

**Plan Description - State Teachers Retirement System (STRS)**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,058,524 for fiscal year 2016. Of this amount \$533,768 is reported as accrued wages and benefits.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$12,892,691	\$56,396,740	\$69,289,431
Proportion of the Net Pension Liability	0.22594590%	0.20406190%	
Pension Expense	812,974	2,564,532	3,377,506

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$210,749	\$2,564,004	\$2,774,753
Net difference between projected and actual earnings on pension plan investments	964,772	2,830,994	3,795,766
Changes in employer proportion and differences between contributions and proportionate share of contributions	231,205	(123,158)	108,047
District contributions subsequent to the measurement date	<u>922,824</u>	<u>3,058,524</u>	<u>3,981,348</u>
Total Deferred Outflows of Resources	<u>\$2,329,550</u>	<u>\$8,330,364</u>	<u>\$10,659,914</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$1,452,052	\$6,752,930	\$8,204,982
Changes in employer proportion and differences between contributions and proportionate share of contributions	(60,103)	134,055	73,952
Changes in employer proportionate share of net pension liability	<u>383,915</u>	<u>(815,406)</u>	<u>(431,491)</u>
Total Deferred Inflows of Resources	<u>\$1,775,864</u>	<u>\$6,071,579</u>	<u>\$7,847,443</u>

\$3,981,348 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$200,826)	(\$743,660)	(\$944,486)
2018	(200,827)	(743,659)	(944,486)
2019	(200,827)	(743,659)	(944,486)
2020	<u>233,342</u>	<u>1,431,239</u>	<u>1,664,581</u>
Total	<u>(\$369,138)</u>	<u>(\$799,739)</u>	<u>(\$1,168,877)</u>

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$17,877,531	\$12,892,692	\$8,695,047

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$78,339,327	\$56,396,740	\$37,841,011

**Note 10 - Post Employment Benefits**

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***School Employees Retirement System***

**Health Care Plan Description** - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is 0%. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$65,511.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$167,798, and \$146,613, respectively. For fiscal year 2016, 100 percent has been contributed. The full amount has been contributed for fiscal years 2015 and 2014.

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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***State Teachers Retirement System***

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$211,003, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**Note 11 - Contingent Liabilities**

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**Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

**Litigation**

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 12 - Jointly Governed Organizations**

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

*Hamilton/Clermont Cooperative Information Technology Center* - The Hamilton/Clermont Cooperative Information Technology Center (H/CC), formerly known as H/CCA, is a jointly governed organization among a two county consortium of school districts. The Information Technology Center 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 Information Technology Center 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 H/CC can be obtained from their administrative office at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

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

**Note 13 - Risk Management**

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

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

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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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 is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$107,494,900
Automobile Liability	4,000,000
Uninsured Motorist	1,000,000
General Liability:	
Per Occurrence	4,000,000
Total Per Year	5,000,000

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

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2014	\$26,767	\$71,873	\$68,314	\$30,326
2015	30,326	42,591	37,827	35,090
2016	35,090	91,217	68,130	58,177

**Note 14 - Insurance Purchasing Pool**

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 15 – Accountability**

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Title VI-B Preschool	\$105,469
Title I	66,405
Improving Teacher Quality	18,104
EHA Preschool	3,971

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**

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

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2015	\$0
Current Year Set Aside Requirements	780,113
Qualified Disbursements	(825,136)
Current Year Offsets	(767,391)
Set Aside Reserve Balance as of June 30, 2016	<u>(\$812,414)</u>
Restricted Cash as of June 30, 2016	<u>\$0</u>

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

**Note 17 – Fund Balances**

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

**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
<b>Restricted for:</b>				
Learning Links	\$0	\$0	\$27,902	\$27,902
Athletic	0	0	49,989	49,989
Auxiliary Services	0	0	33,378	33,378
Food Service	0	0	104,443	104,443
Debt Service	0	0	1,367,899	1,367,899
Capital Projects	0	2,590,951	0	2,590,951
<b>Total Restricted</b>	<b>0</b>	<b>2,590,951</b>	<b>1,583,611</b>	<b>4,174,562</b>
<b>Assigned to:</b>				
Encumbrances	536,630	0	0	536,630
Public School Support	422,563	0	0	422,563
<b>Total Assigned</b>	<b>959,193</b>	<b>0</b>	<b>0</b>	<b>959,193</b>
<b>Unassigned (Deficit)</b>	<b>15,962,992</b>	<b>0</b>	<b>(193,949)</b>	<b>15,769,043</b>
<b>Total Fund Balance</b>	<b>\$16,922,185</b>	<b>\$2,590,951</b>	<b>\$1,389,662</b>	<b>\$20,902,798</b>

**Note 18 – Construction and Other Commitments**

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

<u>Description</u>	<u>Remaining Commitment</u>
General	\$590,607
Capital Construction Projects	1,319,116
Other Governmental	48,905

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**Loveland City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 19 - Interfund Transactions**

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Interfund transactions at June 30, 2016, consisted of the following funds for transfers in and out:

	Transfers	
	In	Out
General Fund	\$0	\$2,500
Other Governmental Funds	2,500	0
 Total All Funds	 <u>\$2,500</u>	 <u>\$2,500</u>

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

**Note 20 – Implementation of New Accounting Principles**

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For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.



# **REQUIRED SUPPLEMENTARY INFORMATION**

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Loveland City School District, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$28,739,923	\$29,824,965	\$29,824,965	\$0
Revenue in lieu of taxes	374,475	388,613	388,613	0
Tuition and Fees	679,715	705,377	705,377	0
Investment Earnings	59,585	61,835	61,835	0
Intergovernmental	16,590,657	17,217,018	17,217,018	0
Charges for Services	11,719	12,161	12,161	0
Other Revenues	815,938	846,743	846,743	0
<b>Total Revenues</b>	<b>47,272,012</b>	<b>49,056,712</b>	<b>49,056,712</b>	<b>0</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	21,887,568	21,265,351	21,265,351	0
Special	6,268,363	6,090,167	6,090,167	0
Vocational	120,237	116,819	116,819	0
Other	850,851	826,663	826,663	0
<b>Support Services:</b>				
Pupil	3,388,305	3,291,983	3,291,983	0
Instructional Staff	1,351,006	1,312,600	1,312,600	0
General Administration	72,303	70,248	70,248	0
School Administration	3,082,720	2,995,085	2,995,085	0
Fiscal	1,149,670	1,116,987	1,116,987	0
Business	180,894	175,752	175,752	0
Operations and Maintenance	2,857,324	2,776,096	2,776,096	0
Pupil Transportation	3,452,413	3,354,268	3,354,268	0
Central	709,877	689,697	689,697	0
Operation of Non-Instructional Services	149	145	145	0
Extracurricular Activities	847,256	823,170	823,170	0
Capital Outlay	29,459	28,622	28,622	0
<b>Total Expenditures</b>	<b>46,248,395</b>	<b>44,933,653</b>	<b>44,933,653</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,023,617</b>	<b>4,123,059</b>	<b>4,123,059</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	238	247	247	0
Transfers (Out)	(23,158)	(22,500)	(22,500)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(22,920)</b>	<b>(22,253)</b>	<b>(22,253)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>1,000,697</b>	<b>4,100,806</b>	<b>4,100,806</b>	<b>0</b>
<b>Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>7,748,446</b>	<b>7,748,446</b>	<b>7,748,446</b>	<b>0</b>
<b>Fund Balance - End of Year</b>	<b>\$8,749,143</b>	<b>\$11,849,252</b>	<b>\$11,849,252</b>	<b>\$0</b>

See accompanying notes to the required supplementary information.

**Loveland City School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 1 - Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2016.

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

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

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

**Loveland City School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2016**

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

Net Change in Fund Balance

	<u>General Fund</u>
GAAP Basis	\$3,173,101
Revenue Accruals	1,071,065
Expenditures Accruals	427,653
Transfers (Out)	(20,000)
Encumbrances	(584,002)
Funds Budgeted Elsewhere	<u>32,989</u>
Budget Basis	<u><u>\$4,100,806</u></u>

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

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.20406190%	0.20108285%	0.20108285%
District's Proportionate Share of the Net Pension Liability	\$56,396,740	\$48,910,308	\$58,104,736
District's Covered-Employee Payroll	\$20,489,657	\$22,125,508	\$23,427,692
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	275.24%	221.06%	248.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

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

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.22594590%	0.23326300%	0.23326300%
District's Proportionate Share of the Net Pension Liability	\$12,892,692	\$11,805,308	\$13,875,559
District's Covered-Employee Payroll	\$9,099,970	\$6,846,616	\$8,384,393
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	141.68%	172.43%	165.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

Loveland City School District, Ohio  
 Required Supplementary Information  
 Schedule of District Contributions  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$3,058,524	\$2,868,552	\$2,876,316
Contributions in Relation to the Contractually Required Contribution	<u>(3,058,524)</u>	<u>(2,868,552)</u>	<u>(2,876,316)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$21,846,600	\$20,489,657	\$22,125,508
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%

(1) - Information prior to 2014 is not available

Loveland City School District, Ohio  
 Required Supplementary Information  
 Schedule of District Contributions  
 School Employees Retirement System of Ohio  
 Last Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$922,824	\$952,301	\$948,941
Contributions in Relation to the Contractually Required Contribution	<u>(922,824)</u>	<u>(952,301)</u>	<u>(948,941)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,591,600	\$7,225,349	\$6,846,616
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%

(1) - Information prior to 2014 is not available



**LOVELAND CITY SCHOOL DISTRICT**



**Single Audit Reports**

**June 30, 2016**

**PLATTENBURG**  
Certified Public Accountants

**LOVELAND CITY SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
National School Lunch Program	3L70	10.555	\$264,397	\$75,433
Total Nutrition Cluster			264,397	75,433
Team Nutrition Grant	3GF0	10.574	1,200	0
Total U.S. Department of Agriculture			265,597	75,433
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	848,311	0
Special Education-Preschool Grants	3C50	84.173	13,189	0
Total Special Education Cluster			861,500	0
Title I Grants to Local Educational Agencies	3M00	84.010	434,519	0
Improving Teacher Quality	3Y60	84.367	104,364	0
Passed Through Great Oaks Career Campuses:				
Career & Technical Education - Basic Grants to States (Perkins)	3L90	84.048	8,000	0
Total Department of Education			1,408,383	0
Total Federal Assistance			\$1,673,980	\$75,433

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

The information in this schedule is presented in accordance with the requirements of 2 CFR 200, Subpart F.

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Loveland City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loveland City School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2016.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 20, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Board of Education  
Loveland City School District

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

We have audited the Loveland City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

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

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

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

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

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 20, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 20, 2016

**LOVELAND CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

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

**Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

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

None

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

None

**LOVELAND CITY SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

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

None





# 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  
MAY 4, 2017