



Dave Yost • Auditor of State

**Little Miami Local School District
Warren County, Ohio**

Fiscal Emergency Termination

Local Government Services Section

**Little Miami Local School District
Warren County**

Fiscal Emergency Termination

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CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Little Miami Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Little Miami Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Little Miami Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be non-adverse. Therefore, the existence of the Little Miami Local School District Financial Planning and Supervision Commission and its role in the operation of the Little Miami Local School District is terminated as of May 22, 2013.

Accordingly, this report is hereby submitted to the Little Miami Local School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Nick Nelson, Warren County Auditor, and Dr. Richard A. Ross, State Superintendent of Public Instruction.

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

DAVE YOST
Auditor of State

May 22, 2013

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Little Miami Local School District – Warren County

Report on Termination of the Little Miami Local School District Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Little Miami Local School District (the Commission), Warren County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

Effective November 14, 2009, the Department of Education declared the Little Miami Local School District, Warren County, to be in a state of fiscal caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2010 and 2011.

The Auditor of State declared the Little Miami Local School District in fiscal watch on March 11, 2010. This declaration was based upon the failure to submit a written proposal for eliminating the anticipated deficits that prompted the declaration of fiscal caution and preventing the School District from experiencing further fiscal difficulties. Upon reviewing the Little Miami Local School District's five-year forecast filed with the Department of Education on November 4, 2009, which included forecasted deficits of \$251,000 and \$9,980,000 for the fiscal years ending June 30, 2010, and 2011, the Auditor of State found the Department of Education's request that the Little Miami Local School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit an initial financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the Auditor of State's declaration is to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Little Miami Local School District Board of Education has failed to submit an acceptable recovery plan to Superintendent of Public Instruction.

Accordingly, the Auditor of State declared the Little Miami Local School District to be in a state of fiscal emergency under Section 3316.03(B) of the Ohio Revised Code on July 13, 2010. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;

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3. The objectives of the financial recovery plan are being met; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor’s opinion, “nonadverse”.

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 – Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district’s financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Little Miami Local School District and issued a Report on Accounting Methods, dated May 15, 2012. The report identified areas where the School District’s financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The School District only has a policy in place for revenues received from tax sources and revenues from investments. The School District should have a policy in place for all revenue streams that documents the procedures for the receipt and recording of all revenues. Once prepared, the policy should be given to all departments involved in the receipt and processing of revenues.

Implemented:

The School District approved and adopted new revenue policies for all revenue streams and documented procedures for the receipts and recording all revenues. The policies have been distributed to all departments involved in the receipt and processing of revenues.

Auditor of State Comment from Report on Accounting Methods:

- Cafeteria receipts are posted in a monthly lump sum amount at the end of each month. Cafeteria receipts should be posted at least on a weekly basis.

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Implemented:

Cafeteria receipts are being posted daily by the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods:

- The School District should follow their policy on Student Activities Funds Management by presenting a report that presents monthly revenue and expenditures to the Superintendent and Board. Also, the School District Superintendent should provide approval or disapproval of student activities in written form.

Implemented:

The Treasurer presents a FINSUM report within his monthly financial packet to the Board. This report includes all funds at the special cost center detail which allows the Board to review each Student Activities Fund. The report shows not only monthly revenue and expenditures but also year to date revenue and expenditure totals as well as ending balances. In addition, the Superintendent and Treasurer are now signing the fundraiser forms submitted by the student activities for approval.

Auditor of State Comment from Report on Accounting Methods:

- The majority of the School District's buildings are making deposits within 24 hours of collection. However, there are times when the high school building secretary is holding deposits for more than one business day. A policy should be adopted by the Board following Ohio Revised Code Section 9.38 for the deposit of public funds.

Implemented:

A policy was adopted by the Board in April 2013 allowing for receipts to be held up to three business days if secured in safe place if less than \$1,000 per Ohio Revised Code Section 9.38.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- Section 9.24, Revised Code, prohibits any state agency or political subdivision from awarding a contract for goods, services or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The School District should keep documentation that this review was performed.

Implemented:

The School District performs a search of the Auditor of State's Finding for Recovery website and keeps a printed copy of the search on file as proof of verification of vendors.

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Auditor of State Comment from Report on Accounting Methods:

- The School District should adopt a policy that addresses vendor file requirements and how the School District adds new vendors.

Implemented:

The School District adopted a policy in April 2013 that addresses vendor file requirements and how the School District adds new vendors.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received and when an invoice exceeds the purchase order/fiscal officer certification of funds. The document should be kept on file in the Treasurers' office.

Implemented:

The School District documented the procedures for cash disbursements including staff positions and their functions. The procedures also identify that building secretaries are to contact any vendor that submits a partial invoice to provide a reasoning and must resolve any issues.

Payroll Process

Auditor of State Comment from Report on Accounting Methods:

- The procedures used to process payroll should be documented and on file in the Treasurer's office. The procedures should address duties, processes, segregation of duties involving the payroll process, and include lost check procedures, and employee hiring and termination procedures.

Implemented:

The procedures used to process payroll are be documented and on file in the Treasurer's office. The procedures address duties, processes, segregation of duties involving the payroll process, and include lost check procedures, and employee hiring and termination procedures.

Auditor of State Comment from Report on Accounting Methods:

- Secured employee files maintained in the Treasurer's Office and Human Resource Office did not contain all required documents or information. The School District has been working to update the employee files and should continue to do so.

Implemented:

The employee files on file in the Treasurer's office now include all required withholding forms and other documents.

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Auditor of State Comment from Report on Accounting Methods:

- The Treasurer/Assistant Treasurer currently does not review and sign off on any payroll reports. The Treasurer/Assistant Treasurer should be reviewing payroll reports for obvious errors, reasonableness and unusual deductions. The Treasurer/Assistant Treasurer should sign the report after reviewing it.

Implemented:

The Treasurer is now reviewing and documenting his review of payroll reports by initialing the reports and keeping them on file.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer/Assistant Treasurer should verify that employee pay rates entered by the Payroll Clerk are correct according to the salary notices and salary schedules. The Treasurer should also verify that employees are being paid from the correct fund and function.

Implemented:

Both the Treasurer and Assistant Treasurer review the employee pay rates for an employee and verify that employees are being paid from the correct fund and function at the beginning of the new fiscal year and then monitor payroll reports during the year for accuracy.

Auditor of State Comment from Report on Accounting Methods:

- Contrary to Sections 9.10 to 9.14, Revised Code, the School District uses a rubber stamp on salary notices. This signature stamp is the signature of the Superintendent and Treasurer that is used by employees in the Treasurer's office. Each salary notice should be signed manually by the Superintendent and Treasurer.

Implemented:

Each salary notice is now being signed manually by the Superintendent and Treasurer.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The Board policy states a capitalization threshold for capital assets; however, the School District uses a lower value within the capital assets accounting system. The School District should review and update their capitalization threshold and policy. The Board should approve changes in capitalization thresholds by resolution. The School District should set the capitalization threshold at a level that accounts for the majority of capital assets.

Implemented:

The Board approved a new capital assets policy that set the capitalization threshold for capital assets at \$5,000. The threshold was used as the basis for recording capital assets not only in the asset system but on their financial statements as well.

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Auditor of State Comment from Report on Accounting Methods:

- The capital asset policy should be expanded to address useful lives of capital assets, valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students). In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value.

Implemented:

The capital asset policy approved by the Board now addresses useful lives, valuing donated assets, assigning salvage values and addressing private property, depreciation calculation, and historical cost.

Auditor of State Comment from Report on Accounting Methods:

- The capital asset policy requires the School District to conduct a complete inventory every five years by physical count of all School District-owned equipment and supplies. OMB Circular A-110 (2CFR section 215.34) requires equipment purchased through Federal funds to have a physical inventory at least once every two years and reconciled to the equipment records. The Board should update and approve policy changes over the physical count, and the Treasurer should track the physical inventory counts.

Implemented:

The new capital asset policy approved by the Board in fiscal year 2013 states a physical inventory will occur annually. The School District will perform this inventory at the end of each school year. The physical inventories are required to be completed and submitted to the Treasurer's office. The Treasurer's office will review the physical counts to the asset system listing.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The School District does have an approved petty cash policy; however, the athletic fund account has been replenished at \$5,000 when the policy states \$2,000. The School District plans to close out the athletic petty cash fund bank account by the end of April 2012.

Implemented:

The petty cash fund bank account was closed out on June 29, 2012.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer provides a financial report (monthly and fiscal year-to-date) that includes the general fund, bond retirement fund, school improvement fund, building fund, and food service fund. The Treasurer should provide this report on all funds to more effectively monitor cash flow for the School District.

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Implemented:

The Treasurer presents financial reports comparing estimated revenues and appropriations to actual amounts on a monthly and cumulative basis for all funds to the Board.

Auditor of State Comment from Report on Accounting Methods:

- Section 117.38, Revised Code, the Treasurer should publish notice in a newspaper published within the School District. The notice should state that the financial report has been completed and is available for public inspection at the office of the Treasurer.

Implemented:

The School District has published in the local newspaper that the financial report is available for inspection at the office of the Treasurer which is in accordance with Section 117.38, Revised Code.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods:

- The Board states it uses resolutions for passing of many items. Resolutions for the approval of the tax amounts and approval of levies for the ballot use the formal requirements. The Board should obtain guidance from legal counsel to ensure that resolutions are properly referenced and used when required by statute, and that the resolutions are in proper legal form and signed by the appropriate officials.

Implemented:

The School District received a legal opinion from their attorney that outlined specific areas where resolutions are required by law.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements as of and for the fiscal year ended June 30, 2012, on April 2, 2013. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The School District did not receive a management letter for the fiscal year 2012 audit period.

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Financial Planning and Supervision Commission**

Section 2 – Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district’s general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district’s general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district’s fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District’s five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

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**Report on Termination of the Little Miami Local School District
Financial Planning and Supervision Commission**

Section 3 – Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated April 26, 2011). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.
3. The School District will seek additional tax funds by asking voters in the election process to approve a five-year 13.95 mill emergency levy generating an additional 13.95 mills emergency levy.

Actions taken to achieve the provisions of the plan include the following:

1. Monitored operating expenditures;
2. Monitored personnel levels;
3. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education.
4. The School District placed a five-year 13.95 mill emergency levy on the November 2011 ballot which the voters approved.

Section 4 – Five-Year Forecast

The Auditor of State examined the School District’s financial forecast for the fiscal years ending June 30, 2013 through 2017, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District’s five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2017. The Auditor of State, in a report dated May 8, 2013, rendered a “nonadverse” opinion on the financial forecast.

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**Report on Termination of the Little Miami Local School District
Financial Planning and Supervision Commission**

Section 5 – Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Little Miami Local School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

Little Miami Local School District
Warren County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2013 through June 30, 2017

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Little Miami Local School District – Warren County

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Dave Yost • Auditor of State

Board of Education
Little Miami Local School District
7247 Zoar Road
Maineville, Ohio 45039

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Little Miami Local School District for the fiscal years ending June 30, 2013 through 2017. The Little Miami Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2010, 2011, 2012 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST
Auditor of State

May 8, 2013

Little Miami Local School District
Warren County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2010 Through 2012 Actual;
For the Fiscal Years Ending June 30, 2013 Through 2017 Forecasted
General Fund

	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual
Revenues			
General Property Taxes	\$14,621,000	\$14,957,000	\$19,785,000
Tangible Personal Property Taxes	43,000	22,000	0
Unrestricted Grants-in-Aid	9,616,000	9,299,000	9,353,000
Restricted Grants-in-Aid	50,000	33,000	86,000
Restricted Federal Grants-in-Aid	594,000	1,159,000	22,000
Property Tax Allocation	2,479,000	2,592,000	3,069,000
All Other Revenues	1,147,000	962,000	1,034,000
<i>Total Revenues</i>	<u>28,550,000</u>	<u>29,024,000</u>	<u>33,349,000</u>
Other Financing Sources			
Proceeds from Sale of Notes	1,000,000	2,000,000	0
Solvency Assistance Advance	0	5,071,000	5,952,000
Advances In	256,000	0	0
<i>Total Other Financing Sources</i>	<u>1,256,000</u>	<u>7,071,000</u>	<u>5,952,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>29,806,000</u>	<u>36,095,000</u>	<u>39,301,000</u>
Expenditures			
Personal Services	16,700,000	16,235,000	16,028,000
Employees' Retirement/Insurance Benefits	6,811,000	6,667,000	5,999,000
Purchased Services	4,759,000	4,911,000	5,979,000
Supplies and Materials	937,000	732,000	896,000
Capital Outlay	22,000	210,000	42,000
Debt Service:			
Principal-Notes	1,000,000	2,000,000	0
Principal-COPS	0	1,950,000	0
Principal-Solvency Assistance Advance	0	0	2,536,000
Interest	3,000	2,000	0
Other Objects	472,000	456,000	432,000
<i>Total Expenditures</i>	<u>30,704,000</u>	<u>33,163,000</u>	<u>31,912,000</u>
Other Financing Uses			
Transfers Out	68,000	0	0
Advances Out	188,000	0	0
Other Financing Uses	31,000	0	0
<i>Total Other Financing Uses</i>	<u>287,000</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>30,991,000</u>	<u>33,163,000</u>	<u>31,912,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(1,185,000)	2,932,000	7,389,000
Cash Balance (Deficit) July 1	(375,000)	(1,560,000)	1,372,000
Cash Balance (Deficit) June 30	(1,560,000)	1,372,000	8,761,000
Encumbrances and Reserves of Fund Balance:			
Actual/Estimated Encumbrances June 30	<u>337,000</u>	<u>725,000</u>	<u>815,000</u>
Fund Balance June 30 for Certification of Appropriation	(1,897,000)	647,000	7,946,000
Revenue from Replacement/Renewal Levies			
Property Tax - Renewal or Replacement	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$1,897,000)</u>	<u>\$647,000</u>	<u>\$7,946,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See Independent Accountant's Report

<u>Fiscal Year 2013 Forecasted</u>	<u>Fiscal Year 2014 Forecasted</u>	<u>Fiscal Year 2015 Forecasted</u>	<u>Fiscal Year 2016 Forecasted</u>	<u>Fiscal Year 2017 Forecasted</u>
\$24,490,000	\$23,822,000	\$22,772,000	\$22,772,000	\$18,211,000
0	0	0	0	0
9,461,000	9,410,000	9,226,000	9,046,000	8,869,000
64,000	65,000	65,000	65,000	65,000
0	0	0	0	0
3,600,000	3,495,000	3,328,000	3,328,000	2,714,000
1,532,000	1,133,000	1,133,000	1,133,000	1,133,000
<u>39,147,000</u>	<u>37,925,000</u>	<u>36,524,000</u>	<u>36,344,000</u>	<u>30,992,000</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>39,147,000</u>	<u>37,925,000</u>	<u>36,524,000</u>	<u>36,344,000</u>	<u>30,992,000</u>
16,539,000	17,408,000	17,824,000	18,251,000	18,689,000
6,478,000	7,146,000	7,634,000	8,465,000	9,604,000
5,884,000	5,835,000	5,947,000	6,063,000	6,183,000
1,172,000	1,207,000	1,244,000	1,281,000	1,319,000
43,000	45,000	46,000	48,000	49,000
0	0	0	0	0
0	0	0	0	0
5,511,000	2,976,000	0	0	0
0	0	0	0	0
441,000	450,000	459,000	468,000	478,000
<u>36,068,000</u>	<u>35,067,000</u>	<u>33,154,000</u>	<u>34,576,000</u>	<u>36,322,000</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>36,068,000</u>	<u>35,067,000</u>	<u>33,154,000</u>	<u>34,576,000</u>	<u>36,322,000</u>
3,079,000	2,858,000	3,370,000	1,768,000	(5,330,000)
<u>8,761,000</u>	<u>11,840,000</u>	<u>14,698,000</u>	<u>18,068,000</u>	<u>19,836,000</u>
<u>11,840,000</u>	<u>14,698,000</u>	<u>18,068,000</u>	<u>19,836,000</u>	<u>14,506,000</u>
300,000	300,000	300,000	300,000	300,000
11,540,000	14,398,000	17,768,000	19,536,000	14,206,000
0	0	0	0	5,175,000
<u>\$11,540,000</u>	<u>\$14,398,000</u>	<u>\$17,768,000</u>	<u>\$19,536,000</u>	<u>\$19,381,000</u>

Little Miami Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013 through June 30, 2017

Note 1 – The School District

The Little Miami Local School District (the School District) is located in Warren County and includes all the Villages of Morrow, Maineville, and Butlerville, Ohio, and portions of surrounding townships. The School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates five instructional buildings. The School District is staffed by 175 non-certified, 224 certificated personnel who provide services to 3,950 students and other community members.

On July 13, 2010, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(1) by the Auditor of State. The declaration was due to the School District’s declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Auditor of Warren County. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

Note 2 – Nature of the Forecast

This financial forecast presents, to the best of the Little Miami Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of May 8, 2013, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the school district fiscal stabilization and education jobs funds are included in the general fund.

Little Miami Local School District

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Summary of Significant Assumptions and Accounting Policies
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Note 4 – Summary of Significant Accounting Policies

Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets outlays. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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Summary of Significant Assumptions and Accounting Policies
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Permanent Funds - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust fund, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Warren County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

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Summary of Significant Assumptions and Accounting Policies
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Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 – General Operating Assumptions

The Little Miami Local School District will continue to operate its instructional program in accordance with its adopted and anticipated school calendars and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Warren County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2013 (the collection year) for real and public utility property taxes represents collections of 2012 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against the next fiscal year scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal years 2013 through 2017.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the general fund, the year approved, first year of collection, and the full tax rate are as follows:

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Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$1.60
Continuing Operating	1976	n/a	n/a	24.00
Continuing Operating	1984	n/a	n/a	3.81
Continuing Operating	1989	n/a	n/a	3.93
Emergency (\$10,638,795)	2011	2012	2016	14.41
Total Tax Rate				<u>\$47.75</u>

The School District also has a levy for permanent improvements of \$3.00 per \$1,000 of assessed valuation, two bond levies; one for \$2.43 per \$1,000 of assessed valuation and the other of \$5.15 per \$1,000 of assessed valuation. The School District's total tax rate is \$58.33 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$37.75 per \$1,000 of assessed valuation for collection year 2013, and the effective commercial and industrial real property tax rate is \$39.13 per \$1,000 of assessed valuation for collection year 2013.

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in businesses was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied or collected after calendar year 2010. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Warren County Auditor. The School District anticipates an increase of \$4,705,000 in fiscal year 2013 over the prior fiscal year due to the School District receiving roughly a full year of collections of the 13.95 mills emergency levy passed in November 2011. Fiscal year 2014 is expected to decrease due to reductions of assessed values from property value updated for Warren County in calendar year 2012 effective calendar year 2013. Property tax revenue from the anticipated renewal of the emergency levies is presented at the bottom of the forecast financial statement.

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Summary of Significant Assumptions and Accounting Policies
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Unrestricted and Restricted Grants-in-Aid

In fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2010 and 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, school districts were guaranteed 99 and 98 percent, respectively, for 2010 and 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

In fiscal years 2010 and 2011, approximately seven percent of the adequacy funding was provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (Restricted Federal Grants-in-Aid) for the Little Miami Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich was proposed a move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts in fiscal year 2012 and 2013 based on a transitional approach until a new formula is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2013 funding is further adjusted so that the district receives at least the total funding it received in fiscal year 2012 after subtracting the state fiscal stabilization funds from total funding as well as to provide financial incentives for high performing districts. For fiscal year 2012, the Little Miami Local School District received \$9,353,000 in unrestricted funding and estimates \$9,379,000 for fiscal year 2013, due to adjustments in funding. Fiscal years 2014 through 2017, unrestricted foundation are forecasted slightly lower due trend in fiscal year 2013 of last State biennium budget guaranteeing 98 percent of previous years budget.

Beginning in fiscal year 2013, the School District is receiving additional unrestricted grants-in-aid revenue due to casino revenue. There are four operating casinos in Ohio. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. In 2013, there will only be one payment and in future years there will be two payments made. At the time of the first payment disbursed in fiscal year 2013, there were only three of the four casinos operating. Therefore, the payments in 2014 and beyond will be significantly more due to two payments being made and an

Little Miami Local School District

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Summary of Significant Assumptions and Accounting Policies
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additional operating casino. The School District anticipates casino revenue of \$82,000 in 2013 and close to \$219,000 thereafter.

Restricted Grants-in-Aid

Restricted grants-in-aid consist of career technologies monies, catastrophic aid for special education students and Medicaid. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. Medicaid is a supplemental payment to the School District for services provided to students who qualify for the program. In fiscal year 2012, the School District had a large increase due to Medicaid monies received that were owed over a two year period. In 2013 and for future years, the School District expects to receive \$15,000 per year. Career technology and catastrophic aid for special education is anticipated to remain constant at \$1,000 and \$48,000, respectively.

Restricted Federal Grants-in-Aid

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education was distributed to school districts as part of the foundation settlement payments twice a month. These funds had limited restrictions on their use. Little Miami Local School District received \$594,000 and \$723,000 in fiscal years 2010 and 2011, respectively, which was used for teacher salaries and benefits. SFSF has not been reauthorized by the Federal government for the forecast period.

In 2010, Congress passed, and the President signed, legislation that provided \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds have limited restrictions on their use. The Little Miami Local School District, received \$436,000 and \$22,000 in fiscal year 2011 and 2012, respectively. The School District chose to use these funds to retain teachers. Education Jobs grant has not been reauthorized by the Federal government for the forecast period.

Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback revenue is forecasted to increase in fiscal years 2012 and 2013 due to the additional emergency levy collections. From fiscal year 2014 through fiscal year 2017, homestead and rollback will decrease comparatively to the decrease in property tax revenue because of the reduction in assessed values.

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In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District was fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement is the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. The State biennium budget for 2012/2013 calls for accelerating the scheduled phase-out of tangible personal property tax loss reimbursement payments. The Little Miami Local School District received the last payment in fiscal year 2012.

All Other Revenues

All other revenues include tuition, interest on investments, open enrollment, tax increment financing revenue, extracurricular fees, other receipts, the refund of prior year expenditures, and the sale of assets.

Tuition includes preschool, summer school, digital online courses and special education from state foundation. Preschool Tuition is expected to decline due to the School District now educating the preschool students with disabilities. The School District will no longer receive reimbursements from the Warren County Board of Developmental Disabilities starting in fiscal year 2014.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is anticipated to remain consistent, due to low interest rates.

Open enrollment tuition revenue is expected to remain consistent throughout the forecasted period.

The School District receives tax increment financing revenues from Hamilton Township and from the City of Loveland. In fiscal year 2013, the School District received tax increment financing revenues due from previous fiscal years as well as the current fiscal year. In fiscal year 2014 through fiscal year 2017, the School District anticipates \$450,000 a year from Hamilton Township and \$183,000 a year from the City of Loveland.

The School District decreased the fees for the pay-to-play program (extracurricular activities) during fiscal year 2013. With the reduction of the fees, the School District anticipates an increase in student participation in athletics. Therefore, the School District anticipates to receive the same amount of revenue.

Other miscellaneous revenues includes: rentals, donations and contributions, compensation for loss of assets, e-rate refunds and any other various items. In fiscal year 2013, there were over \$50,000 in donations for playground equipment. This is not expected in future forecasted periods.

Little Miami Local School District

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2013 through June 30, 2017

All other revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Tuition	\$213,000	\$152,000	\$152,000	\$152,000	\$152,000
Interest	28,000	27,000	27,000	27,000	27,000
Open Enrollment	68,000	68,000	68,000	68,000	68,000
Tax Increment Financing	922,000	633,000	633,000	633,000	633,000
Extracurricular Fees	205,000	205,000	205,000	205,000	205,000
Other Receipts	96,000	48,000	48,000	48,000	48,000
Totals	<u>\$1,532,000</u>	<u>\$1,133,000</u>	<u>\$1,133,000</u>	<u>\$1,133,000</u>	<u>\$1,133,000</u>

Other Financing Sources

Proceeds from Sale of Notes – The School District issued \$1,000,000 in tax anticipation notes during fiscal year 2010 to cover short-term cash needs and was repaid during fiscal year 2010. The School District issued tax anticipation notes during fiscal year 2011, which resulted in proceeds from the sale of notes of \$2,000,000 and was repaid during fiscal year 2012. There were no notes issued in fiscal year 2012. There are no anticipated notes or loans for fiscal years 2013 through fiscal year 2017.

Solvency Assistance Advance – In fiscal year 2011, the School District received a Solvency Assistance Advance in the amount of \$5,071,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advance will be repaid over two years from the State foundation revenues. In fiscal year 2012, the School District received an additional \$5,952,000 which will also be repaid over two years. There are no other anticipated advances for fiscal years 2013 through 2017.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education.

Staffing levels for the last three fiscal years and the current fiscal year are displayed in the chart below. The amounts represent full time equivalents. Staffing levels are anticipated to increase by seven full-time regular teachers and five support staff positions. Several other positions will have increased hours added in fiscal year 2014, and remain consistent for the remainder of the forecast period.

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	2010	2011	2012	2013
<i>General Fund:</i>				
Certified	214	207	196	212
Classified	118	108	118	137
Total General Fund:	332	315	314	349
<i>Other Funds:</i>				
Certified	13	13	10	12
Classified	26	30	34	38
Total Other Funds:	39	43	44	50
Totals	371	358	358	399

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covers the period beginning July 1, 2012 through June 30, 2014, and allows for step increases ranging from two to four percent in fiscal year 2012 through 2014. The forecasted salaries beyond fiscal year 2015 include step increases, but no base increases. The step increases are anticipated to range from two to four percent. Certified salaries for fiscal year 2014 are forecasted to increase from fiscal year 2013 by \$650,000. This is mainly due to the addition of seven certified teaching positions in addition to step increases.

Classified salaries are based on a negotiated contract which includes step increases. The contract for classified staff covers the period beginning July 1, 2012 through June 30, 2014. The contract allows for step increases as well as shift differential for second and third shift employees. The step increases are anticipated to range from three to six percent. The classified salaries are expected to increase from fiscal year 2012 to fiscal year 2013 due to restoration of classified positions from restoring bus routes as well as step increases. For fiscal year 2014, the classified salaries are anticipated to increase by \$222,000 not only from step increases but also from the addition of classified positions and additional hours onto three other positions. Classified salaries from fiscal year 2015 through 2017 anticipate an increase from step increases only.

Substitute salaries are expected to remain consistence for the forecasted period based on historical trends, with the exception of fiscal year 2013. For fiscal year 2013, the School District is experiencing higher than expected absences by employees.

Supplementary contracts are expected to increase by \$63,000 during the forecasted period. The School District reduced the pay-to-play fee for extracurricular activities which has increased the number of activities available for students to participate in.

Upon retirement, the School District offers its certified employees severance pay of 25 percent of their unused sick leave up to a maximum of 66 days paid in January of the year following their retirement. Classified employees are entitled to severance pay of 25 percent of their unused sick leave, up to a maximum of 55 days paid. The School District has seen an increase in the prior fiscal years due to proposed changes in the retirement systems, with fiscal year 2012, seeing the largest severance payments made. With the changes made to the retirements systems, the School District is expecting the severance payments to decrease from fiscal year 2012. Severance payments are expected to remain consistent for the forecasted period based upon historical averages.

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Other salaries and wages include over time and board compensation.

Presented below is a comparison of salaries and wages for fiscal years 2013 through 2017.

	2013	2014	2015	2016	2017
Certified Salaries	\$12,011,000	\$12,661,000	\$12,969,000	\$13,284,000	\$13,607,000
Classified Salaries	3,604,000	3,826,000	3,918,000	4,013,000	4,111,000
Substitute Salaries	536,000	518,000	518,000	518,000	518,000
Overtime	37,000	38,000	38,000	39,000	39,000
Supplemental Salaries	240,000	254,000	270,000	286,000	303,000
Severance Pay and Early Retirement Incentives	101,000	101,000	101,000	101,000	101,000
Insurance Opt Out					
Other Salaries and Wages	10,000	10,000	10,000	10,000	10,000
Totals	\$16,539,000	\$17,408,000	\$17,824,000	\$18,251,000	\$18,689,000

Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. STRS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimated and actual expenditures are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent and treasurer.

In years past, employer contributions to SERS have been paid six months in arrears in Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the School District to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Little Miami Local School District has chosen option two, which will increase their annual payment by \$64,000 per year. The total arrearage amount is \$386,000.

The School District provides a High Deductible Health Plan (HDHP) which is currently administered by Anthem. For calendar year 2013, the School District had a 26 percent rate increase. For calendar years 2014 and 2015, the School District is expecting a 6.5 percent and 15 percent increases, respectively, according to the third party health insurance consultant. For calendar years 2016 and 2017, the School District anticipates a 22 percent increase based upon historical averages of what the School District has been told to expect and what the actual rates are. The School District pays 90 percent of the monthly premium for single and family coverage. In addition the School District places 25 percent of the plan's deductible into Health Spending Accounts (HSA) for each employee. The gross monthly charges per person for health care benefits are as follows:

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For the Fiscal Year Ending June 30, 2013 through June 30, 2017

Health Care	Effective January 1, 2013		Effective January 1, 2014		Effective January 1, 2015	
	Certified	Classified	Certified	Classified	Certified	Classified
Anthem (Medical)						
Single	\$458.06	\$507.31	\$487.82	\$540.29	\$561.00	\$621.33
Family	1,130.99	1,204.36	1,204.50	1,282.64	1,385.18	1,475.04
Dental Care Plus						
Single & Family	\$70.93	\$71.56	\$70.93	\$71.56	\$75.19	\$75.86
Out of Network	70.93	71.56	70.93	71.56	75.19	75.86
	January 1, 2016		January 1, 2017			
	Certified	Classified	Certified	Classified		
Anthem (Medical)						
Single	\$687.22	\$761.13	\$841.85	\$932.38		
Family	1,696.85	1,806.92	2,078.64	2,213.48		
Dental Care Plus						
Single & Family	\$75.19	\$75.86	\$79.71	\$80.42		
Out of Network	75.19	75.86	79.71	80.42		

Vision benefits for certified employees are provided by Anthem Blue View Vision and Ohio AFSCME provides coverage for classified employees. The gross monthly charge per certified person is \$6.20 for single and \$14.89 for family. The monthly gross charge for classified person is \$16.25 for single and family. The premium rates for vision insurance did not increase for classified employees and decreased for certified employees for calendar year 2012. For fiscal year 2014, an increase is estimated due to an increase in the number of employees but will remain constant for the remainder of the forecast.

Dental insurance is provided by The Dental Care Plus Group. The School District pays 95 percent of the premium for certified and classified employees for in network providers and 91 percent of the premium for certified and classified employees for out of network providers, with the premium for out of network providers being higher. For calendar year 2013, the School District experienced a 6 percent rate increase. Dental premiums for the School District increased 6 percent every other year. For the forecast period a rate increase in dental premiums will be included in fiscal year 2015 and 2017. The following is a chart detailing the premiums:

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program. The School District is not expecting a rate increase for life insurance for the forecasted period.

Health care, dental, and life insurance benefits increased due to an increase in premium as well as more employees electing to take the benefits in fiscal year 2014.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May as in prior fiscal years. The premium for calendar year 2012, due in May 2013, decreased from \$.666 per hundred dollars of payroll to \$.644 per hundred dollars of payroll. The estimated premium for calendar year 2013, due in May 2014, increased from \$.644 per

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2013 through June 30, 2017

hundred dollars of payroll to .721 per hundred dollars of payroll. The estimated rate based on the historical rates was used for the forecast years.

The unemployment benefits have varied significantly for the last three fiscal years, from a high of \$184,000 to a low of \$25,000. For the forecast years the unemployment benefits will be constant based upon historical averages.

The School District offered an early retirement incentive program during fiscal year 2009. Employees participating in the program could retire at the end of fiscal year 2009 or delay their retirement until the end of fiscal year 2010. Four teachers retired at the end of fiscal year 2009, one retired during fiscal year 2010 and two retired at the end of fiscal year 2010. The payments are made over a three year period with the first payment being made during fiscal year 2010 and the final payment will be made during fiscal year 2013. The School district is not expecting to offer early retirement incentive during the forecast years.

Presented below is a comparison of employees' retirement/insurance benefits for fiscal years 2013 through 2017.

	Forecasted				
	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Employer's Retirement	\$2,360,000	\$2,485,000	\$2,545,000	\$2,606,000	\$2,669,000
Health Care/Life Insurance	3,640,000	4,209,000	4,610,000	5,370,000	6,436,000
Workers' Compensation	111,000	122,000	143,000	147,000	150,000
Medicare	238,000	251,000	257,000	263,000	270,000
Unemployment	19,000	19,000	19,000	19,000	19,000
Tuition Reimbursement	60,000	60,000	60,000	60,000	60,000
Early retirement Incentive	50,000	0	0	0	0
Total	<u>\$6,478,000</u>	<u>\$7,146,000</u>	<u>\$7,634,000</u>	<u>\$8,465,000</u>	<u>\$9,604,000</u>

Little Miami Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013 through June 30, 2017

Purchased Services

Presented below is a comparison of purchased services for fiscal years 2013 through 2017.

	Forecasted				
	Fiscal Year				
	2013	2014	2015	2016	2017
Professional and					
Technical Services	\$1,821,000	\$1,876,000	\$1,932,000	\$1,990,000	\$2,050,000
Property Services	404,000	421,000	434,000	447,000	460,000
Travel and Meeting Expenses	45,000	46,000	47,000	48,000	50,000
Communication Costs	108,000	112,000	115,000	118,000	122,000
Utility Services	820,000	845,000	870,000	896,000	923,000
Tuition Payments	2,605,000	2,452,000	2,463,000	2,475,000	2,486,000
Pupil Transportation	8,000	8,000	8,000	9,000	9,000
Other Purchased Services	73,000	75,000	78,000	80,000	83,000
Total	<u>\$5,884,000</u>	<u>\$5,835,000</u>	<u>\$5,947,000</u>	<u>\$6,063,000</u>	<u>\$6,183,000</u>

Tuition payments are expected to decrease in fiscal year 2013 and 2014 due to anticipated reduction in both open enrollment and community school students by 31 and 16 students, respectively. The increase expected in tuition in fiscal year 2015 through 2017 is due to expected increases in excess cost from special education students.

Supplies and Materials

Presented below is a comparison of supplies and materials for fiscal years 2013 through 2017.

	Forecasted				
	Fiscal Year				
	2013	2014	2015	2016	2017
General Supplies, Library Books and Periodicals	\$253,000	\$261,000	\$269,000	\$277,000	\$285,000
Operations, Maintenance and Repair	919,000	946,000	975,000	1,004,000	1,034,000
Total	<u>\$1,172,000</u>	<u>\$1,207,000</u>	<u>\$1,244,000</u>	<u>\$1,281,000</u>	<u>\$1,319,000</u>

In fiscal year 2013, an increase is anticipated due to the supplies needed to open two previously closed buildings in previous fiscal years as well as the reinstatement of busing routes. The School District had eliminated busing to the high school and to those students that were within two miles of the school buildings when the School District was declared in fiscal emergency. With the passage of the emergency levy, the School District reinstated these busing services. In fiscal year 2014 through 2017, supplies and materials are forecasted to increase slightly.

Little Miami Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013 through June 30, 2017

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general services are recorded as expenditures. The School District intends to update and replace computers in each year of the forecast period.

Debt Service

General Fund supported debt consists of tax anticipation notes, a Certificates of Participation (COPS) and Solvency Assistance Advance.

Tax anticipation notes principal payments in fiscal year 2010 for \$1,000,000 were for the note issued in fiscal year 2010. Tax anticipation notes principal payment in fiscal year 2011 for \$2,000,000 was for the note issued in fiscal year 2011.

In fiscal year 2011, the COPS matured and the School District was unable to refinance the COPS. The School District returned the entire principal amount of \$5,165,000. The General Fund, Permanent Improvement Fund and Building Fund resources were used with the General Fund contribution of \$1,950,000.

The School District received a Solvency Assistance Advance from the State in fiscal year 2011 and 2012 in the amount of \$5,071,000 and \$5,952,000, respectively. The advances are to be repaid during fiscal years 2012 through 2014 by deducting equal semi-monthly amount from the State Foundation settlement.

Other Objects

Other object expenditures consist of dues and fees, insurance and awards. Other object expenditures are forecasted to increase in fiscal year 2013 due to property tax collection fees increasing due to the first full year of the new 13.95 mill emergency levy being collected. In fiscal years 2014 through fiscal year 2017, a marginal increase is forecasted.

Transfers and Advances Out

The general fund does not anticipate having to advance monies for the forecast period.

Note 8 – Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects are forecasted at \$300,000 for June 30, 2013 through 2017.

Little Miami Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2013 through June 30, 2017

Note 9 – Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2013 is anticipated to be \$632,000. The School District anticipates offsets from property taxes from the permanent improvement levies of \$2,300,000. Therefore, no reserve amount is forecasted for capital acquisition and improvements.

Note 10 – Levies

The School District has placed several levies on the ballot in the last 10 years. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Results</u>
November 2004	Bond	4.45 mills	5 Years	Failed
February 2005	Bond	4.45 mills	5 Years	Failed
November 2005	Bond	6.15 mills	5 Years	Failed
May 2006	Bond	6.15 mills	5 Years	Passed
November 2008	Income Tax	1%	5 Years	Failed
May 2009	Emergency Operating	9.95 mills	5 Years	Failed
November 2009	Emergency Operating	7.95 mills	5 Years	Failed
February 2010	Emergency Operating	9.95 mills	5 Years	Failed
May 2010	Emergency Operating	6.48 mills	5 Years	Failed
May 2010	Income Tax	1%	5 Years	Failed
November 2010	Emergency Operating	10.95 mills	5 Years	Failed
May 2011	Emergency Operating	13.95 mills	5 Years	Failed
November 2011	Emergency Operating	13.95 mills	5 Years	Passed

Note 11 – Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes.

The School District uses the food service fund to account for the charges for services and operating grants restricted to the food service operations of the School District. This fund is forecasted to generate adequate revenue to maintain operations during the forecast period.

All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecast period.

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Dave Yost • Auditor of State

LITTLE MIAMI LOCAL SCHOOL DISTRICT

WARREN 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 22, 2013