

LITTLE MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

June 30, 2010



Dave Yost • Auditor of State

Board of Education
Little Miami Local School District
5819 Morrow Rossburg Road
Morrow, Ohio 45152

We have reviewed the *Independent Auditor's Report* of the Little Miami Local School District, Warren County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Little Miami Local 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, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Little Miami Local School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2011, on our consideration of the District's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 19 to the financial statements, the District is experiencing difficulty in meeting its obligations as they become due and therefore the state of Ohio has classified the District as being in *fiscal emergency*. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
March 28, 2011

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

The discussion and analysis of Little Miami Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Net assets of governmental activities increased \$82,042 from 2009.
- General revenues accounted for \$33,538,920 in revenue or 87.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,769,456 or 12.5% of total revenues of \$38,308,376 .
- The District had \$38,226,334 in expenses related to governmental activities; \$4,769,456 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$33,538,920 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Government-wide Financial Statements answer 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.

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

In the Government-wide Financial Statements, 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 and extracurricular activities and interest and fiscal charges.

Fund Financial Statements

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

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

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

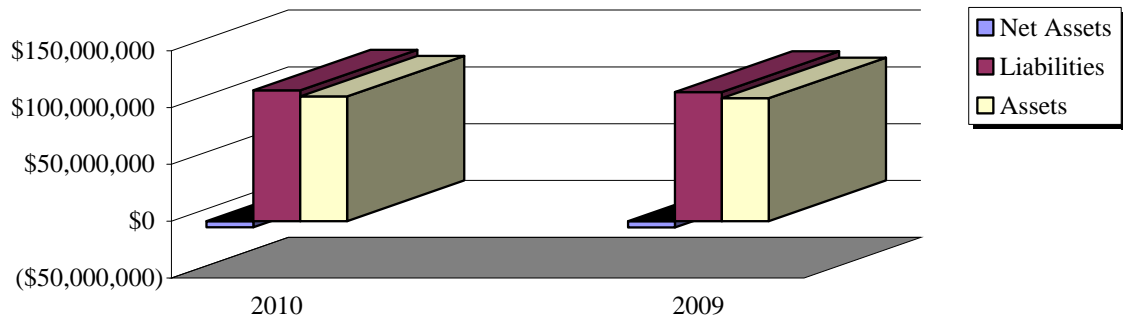
**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2010 compared to 2009:

**Table 1
Net Assets**

	Governmental Activities	
	2010	2009
Assets:		
Current and Other Assets	\$34,083,255	\$35,978,956
Capital Assets	75,580,826	72,218,379
Total Assets	109,664,081	108,197,335
Liabilities:		
Other Liabilities	40,179,565	36,224,846
Long-Term Liabilities	74,852,809	77,422,824
Total Liabilities	115,032,374	113,647,670
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(3,419,470)	(2,597,257)
Restricted	1,229,126	2,734,037
Unrestricted	(3,177,949)	(5,587,115)
Total Net Assets	(\$5,368,293)	(\$5,450,335)



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by (\$5,368,293).

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

At year-end, capital assets represented 69% of total assets. Capital assets include land, construction in progress, buildings and improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, was \$(3,419,470). These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,229,126 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets decreased due to a decrease in the bank balance as compared to prior year. Capital assets increased due to the completion of construction of new buildings and improvements throughout the District. Long term liabilities decreased mainly due to principal and interest payments being made on long term debt during the fiscal year. Other Liabilities increased mainly due to the issuance of a \$5,165,000 short term Certificate of Participation Note.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2010	2009
Revenues:		
Program Revenues		
Charges for Services	\$2,308,775	\$1,927,683
Operating Grants, Contributions	2,457,931	1,861,606
Capital Grants and Contributions	2,750	66,281
General Revenues:		
Property Taxes	20,016,241	21,827,267
Grants and Entitlements	13,073,025	13,194,622
Other	449,654	742,357
Total Revenues	<u>38,308,376</u>	<u>39,619,816</u>
Program Expenses:		
Instruction	20,929,629	20,662,054
Support Services:		
Pupil and Instructional Staff	1,841,534	2,905,753
School Administrative, General Administration, Fiscal and Business	3,283,336	3,734,049
Operations and Maintenance	3,075,689	2,947,680
Pupil Transportation	2,838,120	3,112,253
Central	655,295	1,098,148
Operation of Non-Instructional Services	1,267,099	1,472,423
Extracurricular Activities	816,058	1,037,574
Interest and Fiscal Charges	3,519,574	3,487,297
Total Program Expenses	<u>38,226,334</u>	<u>40,457,231</u>
Change in Net Assets	82,042	(837,415)
Net Assets Beginning of Year	<u>(5,450,335)</u>	<u>(4,612,920)</u>
Net Assets End of Year	<u><u>(\$5,368,293)</u></u>	<u><u>(\$5,450,335)</u></u>

The District revenues came from mainly two sources. Property taxes levied for general, debt service and capital projects purposes, as well as grants and entitlements comprised 86% of the District's revenues for governmental activities.

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

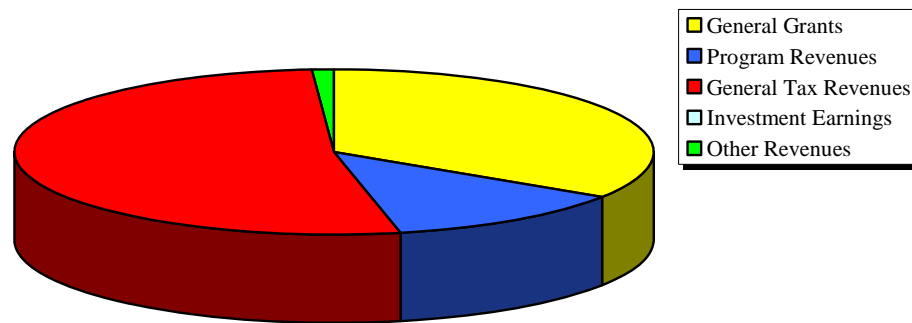
**Little Miami Local School District
Management’s Discussion and Analysis
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(Unaudited)**

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Property taxes made up 55% of governmental activities for the District in fiscal year 2010. The District’s reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities
Revenue Sources**

	2010	Percentage
General Grants	\$13,073,025	34.13%
Program Revenues	4,769,456	12.45%
General Tax Revenues	20,016,241	52.25%
Investment Earnings	26,794	0.07%
Other Revenues	422,860	1.10%
Total Revenue Sources	\$38,308,376	100.00%



Instruction comprises 54.75% of governmental program expenses. Support services expenses were 30.59% of governmental program expenses. All other expenses including interest expense were 14.66% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenues decreased from the prior year mainly due to a decrease in property tax receipts. Instruction and related support services decreased due to the District’s efforts to cut costs throughout the District.

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 governmental 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.

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$20,929,629	\$20,662,054	(\$19,461,275)	(\$19,497,192)
Support Services:				
Pupil and Instructional Staff	1,841,534	2,905,753	(1,471,084)	(2,578,333)
School Administrative, General				
Administration, Fiscal and Business	3,283,336	3,734,049	(3,283,336)	(3,734,049)
Operations and Maintenance	3,075,689	2,947,680	(2,368,303)	(2,904,143)
Pupil Transportation	2,838,120	3,112,253	(2,838,120)	(2,975,200)
Central	655,295	1,098,148	(580,310)	(1,086,250)
Operation of Non-Instructional Services	1,267,099	1,472,423	220,053	199,694
Extracurricular Activities	816,058	1,037,574	(154,929)	(538,891)
Interest and Fiscal Charges	3,519,574	3,487,297	(3,519,574)	(3,487,297)
Total Expenses	<u>\$38,226,334</u>	<u>\$40,457,231</u>	<u>(\$33,456,878)</u>	<u>(\$36,601,661)</u>

The District's Funds

The District has three major governmental funds: the General Fund, Debt Service Fund, and the Building Fund. Assets of these funds comprised \$31,135,804 (87%) of the total \$35,837,113 governmental funds assets.

General Fund: Fund balance at June 30, 2010 was (\$5,101,447). Fund balance decreased \$1,968,608 from the prior year. The primary reason for the decrease in fund balance was due to a decrease in taxes revenue and investment earnings.

Debt Service Fund: Fund balance at June 30, 2010 was (\$3,285,903). Fund balance decreased \$156,128 from 2009. The primary reason for the decrease in fund balance was due to an decrease in taxes revenue.

Building Fund: Fund balance at June 30, 2010 was (\$428,585). Fund balance decreased \$5,699,538 from 2009. The cause of the decrease relates mainly to the construction of new buildings and school improvements throughout the District.

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.

**Little Miami Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

During the course of fiscal year 2010, the District amended its general fund budget numerous 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 budget basis estimated revenue was \$27,914,918, compared to original budget estimates of \$28,071,504. Of the \$156,587 difference, most was due to a slight overestimate for taxes and intergovernmental revenue.

The District’s ending unobligated actual fund balance for the General Fund was (\$1,907,262).

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$75,580,826 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

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

	Governmental Activities	
	2010	2009
Land	\$2,538,132	\$2,538,132
Construction in Progress	0	52,617,314
Buildings and Improvements	67,384,868	14,122,355
Equipment	5,657,826	2,940,578
	<u>5,657,826</u>	<u>2,940,578</u>
Total Net Capital Assets	<u>\$75,580,826</u>	<u>\$72,218,379</u>

The District continues its ongoing commitment to maintaining and improving its capital assets.

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

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Debt

At fiscal year end, the District had \$73,194,438 in bonds and capital leases payable, \$3,636,516 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2010	2009
Governmental Activities:		
Energy Conservation Notes	\$0	\$68,750
2005 Refunded Bonds:		
Current Interest Bonds	7,635,000	8,970,000
Capital Appreciation Bonds	2,724,968	2,724,968
Accreted Interest	997,722	769,830
Premium on Bonds	478,961	558,788
2006 School Improvement:		
Current Interest Bonds	960,051	1,415,051
Capital Appreciation Bonds	6,624,938	6,624,938
Accreted Interest	1,319,609	960,073
2007 Refunding:		
Current Interest Bonds	43,200,001	43,675,001
Capital Appreciation Bonds	2,164,948	2,164,948
Accreted Interest	819,919	537,919
Premium on Bonds	3,019,692	3,142,945
Deferred Amount	(1,672,887)	(1,741,168)
HB264 Bond	3,545,000	3,725,000
Total General Obligation Bonds	71,817,922	73,597,043
Capital Leases Payable:		
2006 Ground Lease	0	585,528
2006 Equipment Lease	164,516	321,431
2008 OASBO Field Turf Lease	729,000	767,000
2009 Welsh Road Lease	483,000	554,000
Total Bonds, Notes, and Capital Leases	\$73,194,438	\$75,825,002

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

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

For the Future

In July, 2010, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the OEBM model is being phased in with FY 10 and FY 11 funding being allocated based on 99% of FY 09 funding and 98% of FY 10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY 11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

With no increase in state funding projected, the District must increase revenues with an operating levy to the community in the near future. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Little Miami Local School District, 5819 Morrow-Rossburg Road, Morrow, Ohio 45152.

Little Miami Local School District
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$4,746,505
Restricted Cash and Investments	500,841
Equity in Pooled Cash and Investments with Fiscal Agent	2,201,882
Receivables:	
Taxes	25,554,551
Accounts	10,915
Intergovernmental	591,876
Deferred Bond Issuance Costs	470,017
Inventory	6,668
Nondepreciable Capital Assets	2,538,132
Depreciable Capital Assets, Net	<u>73,042,694</u>
 Total Assets	 <u>109,664,081</u>
Liabilities:	
Accounts Payable	420,799
Accrued Wages and Benefits	3,875,991
Retainage Payable	109,738
Accrued Interest Payable	279,723
Unearned Revenue	24,262,421
Contracts Payable	85,893
Bond Anticipation Notes Payable	5,980,000
Certificate of Participation Notes Payable	5,165,000
Long-Term Liabilities:	
Due Within One Year	3,970,853
Due In More Than One Year	<u>70,881,956</u>
 Total Liabilities	 <u>115,032,374</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	(3,419,470)
Restricted for:	
Other Purposes	833,762
Capital Projects	0
Set-Aside	373,103
Smith Trust Nonexpendable	11,130
Smith Trust Expendable	11,131
Unrestricted	<u>(3,177,949)</u>
 Total Net Assets	 <u><u>(\$5,368,293)</u></u>

See accompanying notes to the basic financial statements.

Little Miami Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$15,069,580	\$494,148	\$96,701	\$2,750	(\$14,475,981)
Special	4,238,026	0	874,755	0	(3,363,271)
Other	1,622,023	0	0	0	(1,622,023)
Support Services:					
Pupil	1,175,589	0	122,585	0	(1,053,004)
Instructional Staff	665,945	0	247,865	0	(418,080)
General Administration	22,205	0	0	0	(22,205)
School Administration	2,359,232	0	0	0	(2,359,232)
Fiscal	671,169	0	0	0	(671,169)
Business	230,730	0	0	0	(230,730)
Operations and Maintenance	3,075,689	47,461	659,925	0	(2,368,303)
Pupil Transportation	2,838,120	0	0	0	(2,838,120)
Central	655,295	0	74,985	0	(580,310)
Operation of Non-Instructional Services	1,267,099	1,106,037	381,115	0	220,053
Extracurricular Activities	816,058	661,129	0	0	(154,929)
Interest and Fiscal Charges	3,519,574	0	0	0	(3,519,574)
Total Governmental Activities	\$38,226,334	\$2,308,775	\$2,457,931	\$2,750	(33,456,878)

General Revenues:

Property Taxes Levied for:

General Purposes	14,090,929
Debt Service Purposes	3,983,918
Capital Projects Purposes	1,941,394
Grants and Entitlements not Restricted to Specific Programs	13,073,025
Unrestricted Contributions	60,954
Investment Earnings	26,794
Other Revenues	361,906

Total General Revenues 33,538,920

Change in Net Assets 82,042

Net Assets Beginning of Year (5,450,335)

Net Assets End of Year (\$5,368,293)

See accompanying notes to the basic financial statements.

Little Miami Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$0	\$2,594,907	\$557,381	\$1,594,217	\$4,746,505
Restricted Cash and Investments	373,103	0	109,738	18,000	500,841
Equity in Pooled Cash and Investments with Fiscal Agent	0	0	2,201,882	0	2,201,882
Receivables:					
Taxes	17,942,052	5,123,150	0	2,489,349	25,554,551
Accounts	9,716	0	0	1,199	10,915
Intergovernmental	0	0	0	591,876	591,876
Interfund	69,371	0	2,154,504	0	2,223,875
Inventory	0	0	0	6,668	6,668
Total Assets	18,394,242	7,718,057	5,023,505	4,701,309	35,837,113
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	380,272	0	17,223	23,304	420,799
Accrued Wages and Benefits	3,596,497	0	0	279,494	3,875,991
Compensated Absences	255,448	0	0	1,064	256,512
Retainage Payable	0	0	109,738	0	109,738
Accrued Interest Payable	0	9,531	60,545	0	70,076
Interfund Payable	1,921,441	0	13,691	288,743	2,223,875
Deferred Revenue	17,342,031	5,014,429	0	2,553,292	24,909,752
Contracts Payable	0	0	85,893	0	85,893
Bond Anticipation Notes Payable	0	5,980,000	0	0	5,980,000
Certificate of Participation Notes Payable	0	0	5,165,000	0	5,165,000
Total Liabilities	23,495,689	11,003,960	5,452,090	3,145,897	43,097,636
Fund Balances:					
Reserved for Encumbrances	196,175	0	255,485	224,569	676,229
Reserved for Inventory	0	0	0	6,668	6,668
Reserved for Property Tax Advances	600,021	108,721	0	81,311	790,053
Reserved for Set-Aside	373,103	0	0	0	373,103
Reserved for Advances to Other Funds	0	0	2,154,504	0	2,154,504
Reserved for Smith Trust	0	0	0	18,000	18,000
Unreserved, Undesignated, Reported in:					
General Fund	(6,270,746)	0	0	0	(6,270,746)
Special Revenue Funds	0	0	0	619,858	619,858
Debt Service Funds	0	(3,394,624)	0	0	(3,394,624)
Capital Projects Funds	0	0	(2,838,574)	600,745	(2,237,829)
Permanent Fund	0	0	0	4,261	4,261
Total Fund Balances	(5,101,447)	(3,285,903)	(428,585)	1,555,412	(7,260,523)
Total Liabilities and Fund Balances	\$18,394,242	\$7,718,057	\$5,023,505	\$4,701,309	\$35,837,113

See accompanying notes to the basic financial statements.

Little Miami Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balance (\$7,260,523)

Amounts reported for governmental activities in the
 statement of net assets are different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 75,580,826

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	502,077	
Intergovernmental	<u>145,254</u>	
		647,331

In the statement of net assets interest payable is accrued when
 incurred, whereas in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (209,647)

Some liabilities reported in the statement of net assets do not
 require the use of current financial resources and therefore
 are not reported as liabilities in governmental funds.

Compensated Absences		(1,401,859)
----------------------	--	-------------

Deferred bond issuance cost associated with long-term liabilities
 are not reported in the funds. 470,017

Long-term liabilities, are not due and payable in the current
 period and therefore are not reported in the funds. (73,194,438)

Net Assets of Governmental Activities (\$5,368,293)

See accompanying notes to the basic financial statements.

Little Miami Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$14,038,263	\$3,977,370	\$0	\$1,938,351	\$19,953,984
Tuition and Fees	314,445	0	0	179,703	494,148
Investment Earnings	26,713	0	0	81	26,794
Intergovernmental	12,170,912	641,039	0	2,573,751	15,385,702
Extracurricular Activities	312,832	0	12,000	336,297	661,129
Charges for Services	0	0	0	1,126,976	1,126,976
Other Revenues	363,422	0	74,683	14,027	452,132
Total Revenues	27,226,587	4,618,409	86,683	6,169,186	38,100,865
Expenditures:					
Current:					
Instruction:					
Regular	14,439,239	0	6,194	307,020	14,752,453
Special	3,480,046	0	0	782,897	4,262,943
Other	1,622,023	0	0	0	1,622,023
Support Services:					
Pupil	1,084,625	0	0	104,173	1,188,798
Instructional Staff	428,669	0	0	239,168	667,837
General Administration	22,205	0	0	0	22,205
School Administration	2,335,625	7,876	0	3,781	2,347,282
Fiscal	612,032	51,519	1,151	26,046	690,748
Business	223,148	0	0	0	223,148
Operations and Maintenance	2,054,511	0	720	1,009,430	3,064,661
Pupil Transportation	2,280,765	0	0	295,706	2,576,471
Central	129,345	0	92,577	432,518	654,440
Operation of Non-Instructional Services	0	0	0	1,284,886	1,284,886
Extracurricular Activities	415,462	0	0	300,599	716,061
Capital Outlay	0	0	4,887,971	108,256	4,996,227
Debt Service:					
Principal Retirement	0	2,265,000	623,528	476,665	3,365,193
Interest and Fiscal Charges	0	2,450,142	174,080	178,535	2,802,757
Total Expenditures	29,127,695	4,774,537	5,786,221	5,549,680	45,238,133
Excess of Revenues Over (Under) Expenditures	(1,901,108)	(156,128)	(5,699,538)	619,506	(7,137,268)
Other Financing Sources (Uses):					
Transfers In	0	0	0	67,500	67,500
Transfers (Out)	(67,500)	0	0	0	(67,500)
Total Other Financing Sources (Uses)	(67,500)	0	0	67,500	0
Net Change in Fund Balance	(1,968,608)	(156,128)	(5,699,538)	687,006	(7,137,268)
Fund Balance Beginning of Year	(3,132,839)	(3,129,775)	5,270,953	868,406	(123,255)
Fund Balance End of Year	(\$5,101,447)	(\$3,285,903)	(\$428,585)	\$1,555,412	(\$7,260,523)

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balance - Total Governmental Funds (\$7,137,268)

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	\$5,433,230	
Depreciation Expense	<u>(2,070,783)</u>	
		3,362,447

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

Delinquent Property Taxes	62,257	
Intergovernmental	<u>145,254</u>	
Delinquent Property Taxes		207,511

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 3,365,193

Repayment of long-term other liability is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 950,000

Interest expense in the statement of activities differs from the amount reported in governmental funds for two reasons. Additional accrued interest was calculated for bonds and notes payable, and the difference arising from the advance refunding due to premium and bond issuance costs.

Accrued Interest		34,966
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	\$50,976	
Amortization of Bond Issuance Cost	(17,154)	
Amortization of Bond Premium	203,080	
Amortization of Deferred Charge on Refunding	(68,281)	
Bond Accretion	<u>(869,428)</u>	
		<u>(700,807)</u>

Change in Net Assets of Governmental Activities \$82,042

See accompanying notes to the basic financial statements.

Little Miami Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2010

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$59,137</u>
Total Assets	<u>59,137</u>
Liabilities:	
Accounts Payable	1,102
Other Liabilities	<u>58,035</u>
Total Liabilities	<u>\$59,137</u>

See accompanying notes to the basic financial statements.

**Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010**

NOTE 1 - DESCRIPTION OF THE DISTRICT

Little Miami Local School District (“District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and federal guidelines.

The District serves an area of approximately 98 square miles. It is located in Warren County, including all of the Villages of Morrow, Maineville, and Butlerville, Ohio, and portions of surrounding townships.

REPORTING ENTITY

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

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

The District is associated with three jointly governed organizations. These organizations include the Southwest Ohio Computer Association, Warren County Career Center and the Jewell Education Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in the 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 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 and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the accrual basis of accounting.

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 governmental 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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Governmental Funds

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

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

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

Building Fund – The building fund is used to account for receipts and expenditures related to the acquisition and construction of capital facilities including real property. Debt proceeds related to this activity are recorded in this fund, except premium or accrued interest.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District maintains two fiduciary (agency) funds, known as the Student Managed Activity Fund and District Agency Fund. The Student Managed Activity Fund was established to account for assets and liabilities generated by student managed activities and the District Agency Fund was established to account for assets and liabilities generated by the district agency activities.

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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the actual 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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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, grants and interest.

Deferred Revenue

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

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

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

Unearned Revenue

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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2010 amounted to \$26,794. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$26,713.

INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010**

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 two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements that add to the value of an asset or materially extend an asset's life 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>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Equipment	5

RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for textbooks and instructional material, retainage and the nonexpendable amount relating to the Smith Trust in the permanent fund.

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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the District.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to the employee at year end. 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 criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. The Treasurer earns 20 days of vacation per year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 220 days for teachers and administrators, and 220 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 55 days for teachers and administrators. Classified personnel, upon retirement, are paid for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's restricted net assets of \$1,229,126, none was restricted by enabling legislation.

FUND BALANCE RESERVES AND DESIGNATIONS

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventory, state mandated textbook expenditures, encumbrances and the Smith Trust.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

textbooks represents money required to be set-aside by statute as part of mandated spending requirements for maintaining and updating the District.

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 column on the Statement of Net Assets.

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

ESTIMATES

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and 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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not 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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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 government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by federal depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2010, all of the District's bank balance of \$3,023,075 was covered by FDIC insurance, thus no amount was exposed to custodial risk.

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 at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
First American Treasury Obligations	\$2,201,892	0.00
STAR Ohio	<u>3,169,432</u>	0.15
	<u>\$5,371,324</u>	
Portfolio Weighted Average Maturity		0.09

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 a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in First American Treasury Obligations were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. The District's investments in STAR Ohio were rated AAAM by Standard & Poor's.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 59% of the District’s investments in STAR Ohio and 41% in First American Treasury Obligations.

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. The District’s policy does not address custodial credit risk for investments.

NOTE 4 - PROPERTY TAXES

Real property taxes collected in 2010 were levied after April 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year. The most recent re-evaluation was completed in January 2009.

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

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

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

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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2010. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2010 on the fund statements. The entire amount of delinquent taxes receivable is recognized as revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2010, was \$600,021 for the General Fund, \$108,721 for the Debt Service Fund, \$81,311 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2010 operations.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$751,936,520
Public Utility	10,701,090
Tangible Personal Property	<u>0</u>
Total	<u><u>\$762,637,610</u></u>

NOTE 5 – RECEIVABLES

Receivables at June 30, 2010, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,538,132	\$0	\$0	\$2,538,132
Construction in Progress	52,617,314	1,839,206	54,456,520	0
Total Capital Assets, not being depreciated	55,155,446	1,839,206	54,456,520	2,538,132
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	20,856,522	54,456,520	0	75,313,042
Equipment	7,347,186	3,594,024	0	10,941,210
<i>Total Capital Assets, being depreciated:</i>	28,203,708	58,050,544	0	86,254,252
Totals at Historical Cost	83,359,154	59,889,750	54,456,520	88,792,384
Less Accumulated Depreciation:				
Buildings and Improvements	6,734,167	1,194,007	0	7,928,174
Equipment	4,406,608	876,776	0	5,283,384
Total Accumulated Depreciation	11,140,775	2,070,783	0	13,211,558
Governmental Activities Capital Assets, Net	<u>\$72,218,379</u>	<u>\$57,818,967</u>	<u>\$54,456,520</u>	<u>\$75,580,826</u>

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,637,717
Support Services:	
Pupil	706
Instructional Staff	2,011
School Administration	8,645
Fiscal	687
Business	3,483
Operations and Maintenance	23,794
Pupil Transportation	276,109
Operation of Non-Instructional Services	17,634
Extracurricular Activities	99,997
Total Depreciation Expense	<u><u>\$2,070,783</u></u>

NOTE 7 - SHORT-TERM LIABILITIES

	Rate	Beginning Balance	Issued	Retired	Ending Balance
Bond Anticipation Note	2.75%	\$5,990,000	\$0	(\$5,990,000)	\$0
Bond Anticipation Note	2.13%	0	5,980,000	0	5,980,000
Certificates of Participation Note	2.00%	0	5,165,000	0	5,165,000
Tax Anticipation Note	2.00%	0	1,000,000	(1,000,000)	0
Total Anticipation Notes		<u>\$5,990,000</u>	<u>\$12,145,000</u>	<u>(\$6,990,000)</u>	<u>\$11,145,000</u>

The \$5,980,000 in School Improvement Bond Anticipation Notes was issued to finance various school improvements (projects) throughout the District.

The \$5,165,000 Certificates of Participation Note was issued to fund the Classroom Facilities Project.

The \$1,000,000 Tax Anticipation Note was issued and paid off to fund general expenditures throughout the District.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 8 - LONG-TERM LIABILITIES

	Rate	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Governmental Activities:						
Energy Conservation Notes	4.85%	\$68,750	\$0	(\$68,750)	\$0	\$0
2005 Refunded Bonds:						
Current Interest Bonds	3.50%	8,970,000	0	(1,335,000)	7,635,000	1,585,000
Capital Appreciation Bonds						
Principal		2,724,968	0	0	2,724,968	0
Accreted Interest		769,830	227,892	0	997,722	0
Premium on Bonds		558,788	0	(79,827)	478,961	0
2006 School Improvement:						
Current Interest Bonds	5.14%	1,415,051	0	(455,000)	960,051	935,000
Capital Appreciation Bonds						
Principal		6,624,938	0	0	6,624,938	0
Accreted Interest		960,073	359,536	0	1,319,609	0
2007 Refunding:						
Current Interest Bonds	4.64%	43,675,001	0	(475,000)	43,200,001	600,000
Capital Appreciation Bonds						
Principal		2,164,948	0	0	2,164,948	0
Accreted Interest		537,919	282,000	0	819,919	0
Premium on Bonds		3,142,945	0	(123,253)	3,019,692	0
Deferred Amount		(1,741,168)	0	68,281	(1,672,887)	0
HB264 Bond	3.50%	3,725,000	0	(180,000)	3,545,000	200,000
Total General Obligation Bonds & Notes		73,597,043	869,428	(2,648,549)	71,817,922	3,320,000
Capital Lease:						
2006 Ground Lease	4.50%	585,528	0	(585,528)	0	0
2006 Equipment Lease	4.74%	321,431	0	(156,915)	164,516	164,516
2008 OASBO Field Turf Lease	4.06%	767,000	0	(38,000)	729,000	79,000
2009 Welsh Road Lease	3.99%	554,000	0	(71,000)	483,000	73,000
Total Long Term Debt		75,825,002	869,428	(3,499,992)	73,194,438	3,636,516
Compensated Absences		1,597,822	274,728	(214,179)	1,658,371	334,337
Total Governmental Activities		\$77,422,824	\$1,144,156	(\$3,714,171)	\$74,852,809	\$3,970,853

Compensated absences will be paid from the General and Special Revenue Funds. Capital lease obligations will be paid from Capital Projects Funds.

2007 Advanced Refunding of 2006 School Improvement Bonds

On February 27, 2007, the District issued \$50,826,447 in General Obligation bonds with an average interest rate of 4.64% of which \$47,199,949 was used to partially advance refund \$47,199,949 of outstanding 2006 School Improvement Bonds with an average interest rate of 5.14%. The net proceeds of \$50,247,945 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the 2006 School Improvement Bonds. As a result, \$47,199,949 of the 2006 School Improvement Bonds are considered to be defeased and the related liability for those bonds has been removed from the Statement of Net Assets.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The District advance refunded a portion of the 2006 School Improvement Bonds to reduce its total debt service payments by \$3,652,951 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,468,056.

The District had \$3,451,078 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt which has a final maturity date of December 1, 2034. The debt will be retired from the debt service fund. The refunding bonds are not subject to optional redemption prior to maturity. Of the \$47,199,949 issued, \$45,035,001 represents serial bonds and \$2,164,948 is capital appreciation bonds. The serial bonds mature at varying amounts through December 1, 2034. The capital appreciation bonds will mature in fiscal years 2022, 2023, 2024, and 2025. The final maturity amount of the bonds is \$10,810,000.

2005 Refunded Bonds

In June 2005, the District advance refunded \$15,759,968 in school improvement bonds that were originally for the purpose of new construction, improvements, renovations, and additions to school facilities, including the construction of a new high school, and providing equipment, furnishings and site improvements. The \$818,096 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt which has a final maturity date of December 1, 2015. The debt will be retired from the debt service fund.

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$15,759,968 issued, \$13,035,000 represents serial bonds and \$2,724,968 is capital appreciation bonds. The serial bonds mature at varying amounts through December 1, 2014.

The capital appreciation bonds will mature in fiscal years 2015 and 2016. The final maturity amount of the bonds is \$5,100,000.

2006 School Improvement Bonds

In February 2007, the District partially refunded the 2006 School Improvement bonds, of the remaining \$9,049,989. The debt will be retired from the debt service fund.

The bonds are not subject to optional redemption prior to maturity. Of the \$9,049,989 issued, \$2,425,051 represents serial bonds and \$6,624,938 is capital appreciation bonds. The serial bonds mature at varying amounts through December 1, 2011.

The capital appreciation bonds will mature in fiscal years 2012 through 2020. The final maturity amount of the bonds is \$11,245,000.

Prior Year Defeasance of Debt

As a result of the 2005, 2006 and 2007 advance refunding, the \$66,007,962 of the 1998 Series Bonds and 2006 School Improvement Bonds are considered defeased and the liability is therefore not included on the Statement of Net Assets. The remaining balance on the refunded general obligation bonds as of June 30, 2010 was \$63,649,409.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Principal and interest requirements for governmental activities to retire bonds and notes outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$3,320,000	\$2,366,150	\$5,686,150	\$0	\$0	\$0
2012	2,415,051	2,247,250	4,662,301	0	0	0
2013	2,885,000	2,152,125	5,037,125	315,660	109,340	425,000
2014	3,065,000	2,048,475	5,113,475	386,470	158,530	545,000
2015	660,000	1,936,925	2,596,925	1,876,341	1,378,659	3,255,000
2016-2020	5,050,000	9,010,087	14,060,087	5,786,897	4,413,103	10,200,000
2021-2025	600,000	1,704,525	2,304,525	3,149,486	9,580,514	12,730,000
2026-2030	17,090,000	6,962,625	24,052,625	0	0	0
2031-2035	20,255,001	2,553,750	22,808,751	0	0	0
Total	<u>\$55,340,052</u>	<u>\$30,981,912</u>	<u>\$86,321,964</u>	<u>\$11,514,854</u>	<u>\$15,640,146</u>	<u>\$27,155,000</u>

NOTE 9 – LEASES

CAPITAL LEASES

The District has entered into capitalized leases for the acquisition of land, equipment and field turf. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

Fiscal Year Ending June 30,	Long-Term Debt
2011	\$375,174
2012	202,339
2013	202,739
2014	166,847
2015	167,157
2016-2018	497,926
Total Minimum Lease Payments	1,612,182
Less: Amount Representing Interest	(227,505)
Less: Additional Program Cost Component	(8,161)
Present Value of Minimum Lease Payments	<u>\$1,376,516</u>

**Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010**

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Land	\$1,370,000
Building and Improvements	805,000
Equipment	750,000

NOTE 10 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$797,520, \$822,108 and \$741,144 respectively; 52% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Plan Options

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

DB Plan Benefits

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

DC Plan Benefits

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

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

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

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

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

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

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$2,058,756, \$2,138,796 and \$1,919,208, respectively; 86% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 11 - POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

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

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2010, 2009 and 2008 were \$43,294, \$44,042 and \$35,998, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$26,204, \$244,284, and \$175,757, respectively. Actual contributions for fiscal year 2010 were 52% of required contributions and 100% for fiscal years 2009 and 2008.

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

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

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2010, 2009 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$147,054, \$152,771, and \$137,086 respectively. Actual contributions for fiscal year 2010 were 86% of required contributions and 100% for fiscal years 2009 and 2008.

**Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010**

NOTE 12 - CONTINGENT LIABILITIES

GRANTS

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

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

NOTE 13 - RISK MANAGEMENT

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. During fiscal year 2010, the District contracted with Ohio Casualty Group for property insurance. Professional liability was protected by Ohio Casualty Group with a \$3,000,000 aggregate limit under a commercial policy.

The District's vehicles are also covered by Ohio Casualty Group and hold a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy. The Travelers Casualty and Surety Company of America maintains both a \$50,000 public official bond for the Treasurer and a \$50,000 blanket bond for all employees with Ohio Casualty Group. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

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 the last year.

NOTE 14 - FUND BALANCE RESERVES FOR SET-ASIDES

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

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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2009	\$45,155	\$0
Current Year Set Aside Requirements	664,531	664,531
Qualified Disbursements	<u>(336,583)</u>	<u>(664,531)</u>
Set Aside Reserve Balance as of June 30, 2010	<u>\$373,103</u>	<u>\$0</u>
Restricted Cash as of June 30, 2010	<u>\$373,103</u>	<u>\$0</u>
Carried Forward to FY 2011	<u>\$373,103</u>	

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. 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 among member school districts. The Board of SWOCA consists of one representative from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained from Mike Crumley, Executive Director, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

The Warren County Career Center, 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 the participating district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Warren County Vocational School is not part of the District and its operations are not included as part of the reporting entity. The District did not have any financial obligations to the Warren County Vocational School during fiscal year 2010. Financial information can be obtained from Karen Royer, Treasurer, Warren County Career Center, 3525 North State Route 48, Lebanon, Ohio 45036.

The District is a participant in the Jewell Education Foundation (the "Foundation"), which is a jointly governed educational foundation established as a non-profit corporation to benefit the school districts in Warren County. The Foundation was created to promote and assist in funding through soliciting grants and charitable contributions for distribution to member educational institutions of participating school districts. The governing board is made up of the Warren County Career Center superintendent, one member of the 1999 Warren County Career Center Board of Education, not on the current board, and one member selected by each participating school district. The District made no financial contribution to the Foundation during the fiscal year. Financial information can be obtained from the director of planned giving, Rick Wood, at P.O. Box 854, Lebanon, Ohio 45036.

**Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010**

NOTE 16 - ACCOUNTABILITY AND COMPLIANCE

ACCOUNTABILITY

The following funds had deficit fund balances at June 30, 2010:

General Fund	\$5,101,447
Debt Service	3,285,903
Building	428,585
Management Information System	6,829
Title I	18,373
IDEA Preschool Grant	13,013
Improving Teacher Quality	14,433

The General Fund deficit is an operating deficit. The remaining deficits were created by the recognition of accrued liabilities.

COMPLIANCE

Negative Cash Compliance

At June 30, 2010 the General Fund had a significant negative cash balance. Per Ohio Revised Code (ORC) § 5705.10 receipts paid into a fund can be used only for the purposes for which such fund was established. The negative General Fund cash balance indicates that money from another fund was used to cover the expenses of the General Fund. H.B. 264 school energy conservation loan proceeds were used for operating purposes rather than the stated purpose in the loan agreement.

Appropriations in Excess of Estimated Resources Compliance

ORC § 5705.39 requires appropriations to be limited by estimated resources. Appropriations exceeded estimated resources for the General Fund.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 17 - INTERFUND BALANCES/TRANSFERS

Interfund transactions at June 30, 2010, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund*	\$69,371	\$1,921,441	\$0	\$67,500
Building Fund*	2,154,504	13,691	0	0
Other Governmental Funds	0	288,743	67,500	0
Total All Funds	<u>\$2,223,875</u>	<u>\$2,223,875</u>	<u>\$67,500</u>	<u>\$67,500</u>

*- Advances from the building fund to the general fund were made for reporting purposes to eliminate negative cash.

Interfund balances/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 budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed. All interfund payables are expected to be repaid during the next fiscal year. The above interfund transactions comply with the requirements of the Ohio Revised Code with the exception of the advances from the building fund to the general fund.

NOTE 18 – SUBSEQUENT EVENTS

On July 13, 2010 the State of Ohio declared a *fiscal emergency* with respect to the District (see Note 19). In connection with the fiscal emergency the State of Ohio loaned the District approximately \$5,000,000.

Also subsequent to the fiscal year ended June 30, 2010, the \$5,165,000 Certificates of Participation Note issued December 1, 2009 matured (November 30, 2010) and the District was not able to renew the Note as planned. The District sought alternative financing but was unable to obtain it and was forced to repay the Note from District resources.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 19 – ABILITY TO CONTINUE AS A GOING CONCERN

In light of seven straight tax levy defeats, questions have arisen regarding the District's ability to continue as a going concern. The District has been classified by the state of Ohio as in fiscal emergency and a state-appointed committee supervises District operations. As one of Ohio's largest rural/suburban school districts with a growing enrollment, management expects little or no improvement without a tax increase.

Current District plans to deal with this situation include additional attempts to pass a tax levy and additional borrowing from the state of Ohio. Management does not anticipate the recoverability of assets as being a significant problem. However, the shortage of revenues in relation to increasing enrollment and associated costs has resulted in significant continuing cash flow problems. Without improvement in its finances, it is possible that the District could be dissolved into adjacent districts. Management is unable to determine the likelihood of such dissolution.

REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$14,826,345	\$14,743,641	\$14,764,812	\$21,171
Tuition and Fees	312,063	310,322	310,768	446
Investment Earnings	26,852	26,703	26,741	38
Intergovernmental	12,221,634	12,153,460	12,170,912	17,452
Extracurricular Activities	320,683	318,894	319,352	458
Other Revenues	363,928	361,898	362,418	520
Total Revenues	28,071,505	27,914,918	27,955,003	40,085
Expenditures:				
Current:				
Instruction:				
Regular	14,669,233	14,316,355	14,333,260	(16,905)
Special	3,732,987	3,643,188	3,647,490	(4,302)
Other	1,660,043	1,620,110	1,622,023	(1,913)
Support Services:				
Pupil	1,113,115	1,086,338	1,087,621	(1,283)
Instructional Staff	594,880	580,569	581,255	(686)
General Administration	27,218	26,564	26,595	(31)
School Administration	2,385,698	2,328,309	2,331,058	(2,749)
Fiscal	641,419	625,989	626,728	(739)
Business	236,784	231,088	231,361	(273)
Operations and Maintenance	2,161,986	2,109,978	2,112,470	(2,492)
Pupil Transportation	2,331,011	2,274,937	2,277,623	(2,686)
Central	160,425	156,566	156,751	(185)
Extracurricular Activities	414,714	404,738	405,216	(478)
Debt Service:				
Principal Retirement	1,000,000	998,821	1,000,000	(1,179)
Interest and Fiscal Charges	26,453	2,941	2,944	(3)
Total Expenditures	31,155,966	30,406,491	30,442,395	(35,904)
Excess of Revenues Over (Under) Expenditures	(3,084,461)	(2,491,573)	(2,487,392)	4,181
Other financing sources (uses):				
Issuance of Short-Term Tax Anticipation Notes	1,004,168	998,566	1,000,000	1,434
Advances In	257,473	256,036	256,404	368
Advances (Out)	(192,282)	(187,656)	(187,878)	(222)
Transfers (Out)	(69,082)	(67,420)	(67,500)	(80)
Total Other Financing Sources (Uses)	1,000,277	999,526	1,001,026	1,500
Net Change in Fund Balance	(2,084,184)	(1,492,047)	(1,486,366)	5,681
Fund Balance Beginning of Year (includes prior year encumbrances appropriated) Restated	(420,896)	(420,896)	(420,896)	0
Fund Balance End of Year	(\$2,505,080)	(\$1,912,943)	(\$1,907,262)	\$5,681

See accompanying notes to the required supplementary information.

Little Miami Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2010

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

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

Little Miami Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2010

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</u>
GAAP Basis	(\$1,968,608)
Revenue Accruals	728,416
Expenditure Accruals	(1,000,930)
Issuance of Short-Term Debt	1,000,000
Advances In	256,404
Advances (Out)	(187,878)
Encumbrances	<u>(313,770)</u>
Budget Basis	<u><u>(\$1,486,366)</u></u>

LITTLE MIAMI LOCAL SCHOOL DISTRICT

Single Audit Report

June 30, 2010

**LITTLE MIAMI LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$54,092	\$54,092
National School Lunch Program	3L60	10.555	31,501	315,051
Total Nutrition Cluster			<u>85,593</u>	<u>369,143</u>
Total U.S. Department of Agriculture			<u>85,593</u>	<u>369,143</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	473,847	555,327
Special Education-Grants to States - ARRA	3DJ0	84.391	388,852	401,524
Special Education-Preschool Grants	3C50	84.173	1,186	7,358
Special Education-Preschool Grants - ARRA	3DL0	84.392	2,692	26,927
Total Special Education Cluster			<u>866,577</u>	<u>991,136</u>
Title I Grants to Local Educational Agencies	3M00	84.010	116,805	133,978
Safe and Drug Free Schools and Communities	3D10	84.186	2,382	3,080
Javits Gifted and Talented Students Education Grant	3700	84.206	500	500
Education Technology State Grants	3S20	84.318	128	1,271
Improving Teacher Quality	3Y60	84.367	83,658	102,085
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	594,585	594,585
Total Department of Education			<u>1,664,635</u>	<u>1,826,635</u>
Total Federal Assistance			<u>\$1,750,228</u>	<u>\$2,195,778</u>

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 on the cash basis of accounting.

**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***

To the Board of Education
Little Miami Local School District

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Little Miami Local School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2011 . 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. The items are identified in the accompanying schedule of findings and questioned costs as finding 2010-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2010-2 and 2010-3.

We noted certain matters that we reported to management of the District in a separate letter dated March 28, 2010.

This report is intended solely for the information and use of management, the Auditor of State, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
March 28, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Little Miami Local School District

Compliance

We have audited the compliance of the Little Miami Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of 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.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2010, and have issued our report thereon date March 28, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Auditor of State, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
March 28, 2011

**LITTLE MIAMI LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	
	Special Education Cluster	State Fiscal Stabiliation Fund
	Grants to State CFDA # 84.027	(SFSF) Ed St Grant - ARRA CFDA # 84.394
	Preschool Grants CFDA # 84.173	
	Grants to State - ARRA CFDA # 84.391	
	Preschool Grants - ARRA CFDA # 84.392	
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

2010-1 – Significant Deficiency:

Effective operation of internal controls over financial reporting includes documentation of the performance of control procedures. During the course of the audit, we noted instances where the District, due to incomplete performance, did not maintain documentation indicating approval of disbursements transactions. Failure to document approvals increases the risk of unauthorized transactions.

Management Response:

The District concurs with the above comment and the documentation procedures have been corrected subsequent to the fiscal year end.

2010-2 – Negative Cash Compliance:

At June 30, 2010 the General Fund had a significant negative cash balance. Receipts paid into a fund must be used only for the purposes for which such fund was established (Ohio Revised Code § 5705.10). The negative General Fund cash balance indicates that money from another fund was used to cover the expenses of the General Fund. H.B. 264 school energy conservation loan proceeds were used for operating purposes rather than the stated purpose in the loan agreement.

Management Response: The District concurs with the above comment; however the current cash flow problems hinder the effort to eliminate this negative cash problem.

2010-3 – Appropriations in Excess of Estimated Resources Compliance:

Ohio Revised Code § 5705.39 requires appropriations to be limited by estimated resources. Upon review of appropriations and estimated resources, it was noted that appropriations exceeded estimated resources for the General Fund.

Management Response:

The District concurs with the above comment; however the current cash flow problems hinder the effort to eliminate this problem as well.

Section III – Federal Award Findings and Questioned Costs

None Noted

**LITTLE MIAMI LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

2009-1 - Significant Deficiency:

The District did not maintain adequate documentation indicating approval of disbursements transactions.

Status: Not corrected – see Finding 2010-1

The District concurs with the above comment and will document all approvals.

2009-2 – Material Weakness:

A prior period restatement of the District’s financial statements was required to correct a material misstatement related to fund classification of certain transactions. The misstatement occurred as a result of a material weakness related to the financial accounting and reporting system in place at the School District.

Status: Corrected

2009-3 – Negative Cash Compliance

Receipts paid into a fund must be used only for the purposes for which such fund was established (Ohio Revised Code 5705.10). As a result, a negative cash balance indicates that money from one fund was used to cover the expenses of another fund.

Status: Not corrected – see Finding 2010-2

2009-4 – Appropriations in Excess of Estimated Resources Compliance

Ohio Revised Code Section 5705.39 requires appropriations to be limited by estimated resources. Appropriations exceeded estimated resources for the General Fund.

Status: Not corrected – see Finding 2010-3

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education
Little Miami Local School District

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 29, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (6) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. After reading the policy, we noted it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (2) A procedure for documenting any prohibited incident that is reported;
 - (3) A procedure for responding to and investigating any reported incident;
 - (4) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

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

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
March 28, 2011

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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 5, 2011**