

LITTLE MIAMI LOCAL SCHOOL DISTRICT

Single Audit Report

June 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Little Miami Local School District, Warren County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 2, 2012

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**LITTLE MIAMI LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

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	\$61,785	\$61,785
National School Lunch Program	3L60	10.555	354,811	354,811
Total Nutrition Cluster			<u>416,596</u>	<u>416,596</u>
Total U.S. Department of Agriculture			<u>416,596</u>	<u>416,596</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	785,765	636,996
Special Education-Grants to States - ARRA	3DJ0	84.391	293,404	313,733
Special Education-Preschool Grants	3C50	84.173	13,863	7,241
Special Education-Preschool Grants - ARRA	3DL0	84.392	24,234	0
Total Special Education Cluster			<u>1,117,266</u>	<u>957,970</u>
Title I Grants to Local Educational Agencies	3M00	84.010	165,816	132,108
Safe and Drug Free Schools and Communities	3D10	84.186	3,698	4,836
Education Technology State Grants	3S20	84.318	1,186	123
Improving Teacher Quality	3Y60	84.367	132,445	105,587
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	723,128	662,924
Education Jobs	3ET0	84.410	435,501	435,501
Total Department of Education			<u>2,579,040</u>	<u>2,299,049</u>
U. S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through Ohio Environmental Protection Agency:				
Clean Deisel Grant Program - ARRA		66.040	42,846	55,701
Total Environmental Protection Agency			<u>42,846</u>	<u>55,701</u>
Total Federal Assistance			<u>\$3,038,482</u>	<u>\$2,771,346</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.

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

Board of Education
Little Miami Local School District

We have audited the 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2012 wherein we noted that certain conditions raise substantial doubt about the District's ability to continue as a going concern. Our report also noted that the District adopted GASB Statement No. 54 as disclosed in Note 21 to the financial statements. 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.
January 31, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Little Miami Local School District

Compliance

We have audited Little Miami Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. 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 each of 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 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 District as of and for the year ended June 30, 2011, and have issued our report thereon dated January 31, 2012, which contained an unqualified opinion on those financial statements wherein we noted that certain conditions raise substantial doubt about the District's ability to continue as a going concern. Our report also noted that the District adopted GASB Statement No. 54 as disclosed in Note 21 to the 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 to 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.
January 31, 2012

**LITTLE MIAMI LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Section I – Summary of Auditor’s Results

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list):</i>	
	Special Education Cluster:	Education Jobs:
	Grants to State CFDA # 84.027	Education Jobs Grant CFDA # 84.410
	Grants to State - ARRA CFDA # 84.391	State Fiscal Stabiliation Fund:
	Preschool Grants CFDA # 84.173	(SFSF) Ed St Grant - ARRA CFDA # 84.394
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

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

None

Section III –Federal Award Findings and Questioned Costs

None

LITTLE MIAMI LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
Year Ended June 30, 2011

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>If not fully corrected, Explain Status:</u>
2010-01	Significant Deficiency –Controls related to financial reporting	Yes	N/A
2010-02	Compliance –ORC 5705.10 Use of funds for the purposes for which such fund was established	Yes	N/A
2010-03	Compliance –ORC 5705.39 Appropriations in excess of estimated resources	Yes	N/A

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURE**

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 of Education (the Board), solely to assist the Board in evaluating whether Little Miami Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of 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.

- We noted the Board amended its anti-harassment policy on April 19, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.
- In our report dated March 28, 2011, we noted the Board adopted an anti-harassment policy on November 29, 2007. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.

1. The Board amended the policy on April 19, 2011. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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 management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
January 31, 2012

LITTLE MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

June 30, 2011

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INDEPENDENT AUDITORS' REPORT

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, 2011, 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21 to the financial statements, during the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, 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.
January 31, 2012

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the 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 2011 are as follows:

- Net assets of governmental activities increased \$2,889,996 from 2010.
- General revenues accounted for \$35,792,637 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 \$5,102,495 or 12.5% of total revenues of \$40,895,132 .
- The District had \$38,005,136 in expenses related to governmental activities; \$5,102,495 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$35,792,637 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 Permanent Improvement 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, 2011
(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 2011?" 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.

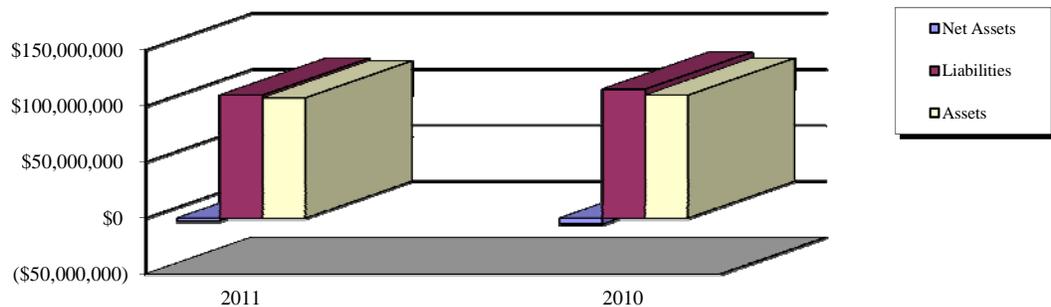
**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

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 2011 compared to 2010:

**Table 1
Net Assets**

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$33,394,854	\$34,083,255
Capital Assets	73,872,958	75,580,826
Total Assets	107,267,812	109,664,081
Liabilities:		
Other Liabilities	31,670,426	40,179,565
Long-Term Liabilities	78,075,683	74,852,809
Total Liabilities	109,746,109	115,032,374
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,607,085	(3,419,470)
Restricted	6,212,411	1,229,126
Unrestricted	(10,297,793)	(3,177,949)
Total Net Assets	(\$2,478,297)	(\$5,368,293)



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by (\$2,478,297).

**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

At year-end, capital assets represented 69% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2011, was \$1,607,085. 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, \$6,212,411 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 property taxes receivable as compared to prior year. Capital assets decreased due to depreciation expense being larger than current year additions. Long term liabilities increased and Other Liabilities decreased mainly due to the District refinancing the short-term \$5,980,000 Bond Anticipation Note into long-term School Improvement Unlimited Tax General Obligation Bonds during the fiscal year.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

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**Little Miami Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Table 2

Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$2,294,955	\$2,308,775
Operating Grants, Contributions	2,807,540	2,457,931
Capital Grants and Contributions	0	2,750
General Revenues:		
Property Taxes	23,273,621	20,016,241
Grants and Entitlements	12,231,470	13,073,025
Other	287,546	449,654
Total Revenues	<u>40,895,132</u>	<u>38,308,376</u>
Program Expenses:		
Instruction	21,759,191	20,929,629
Support Services:		
Pupil and Instructional Staff	1,730,561	1,841,534
School Administrative, General		
Administration, Fiscal and Business	2,986,378	3,283,336
Operations and Maintenance	2,833,275	3,075,689
Pupil Transportation	2,805,914	2,838,120
Central	526,778	655,295
Operation of Non-Instructional Services	1,305,563	1,267,099
Extracurricular Activities	662,732	816,058
Interest and Fiscal Charges	3,394,744	3,519,574
Total Program Expenses	<u>38,005,136</u>	<u>38,226,334</u>
Change in Net Assets	2,889,996	82,042
Net Assets Beginning of Year	<u>(5,368,293)</u>	<u>(5,450,335)</u>
Net Assets End of Year	<u><u>(\$2,478,297)</u></u>	<u><u>(\$5,368,293)</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 87% of the District's revenues for governmental activities.

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

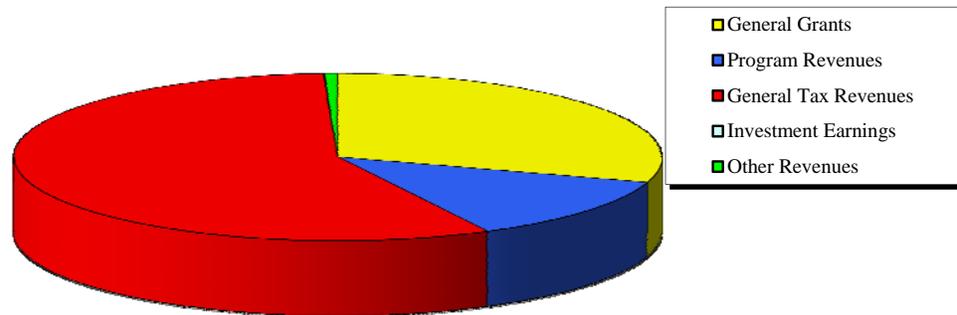
**Little Miami Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

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

Property taxes made up 57% of governmental activities for the District in fiscal year 2011. The District’s reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities
Revenue Sources**

Revenue Sources	2011	Percent of Total
General Grants	\$12,231,470	29.91%
Program Revenues	5,102,495	12.48%
General Tax Revenues	23,273,621	56.91%
Investment Earnings	22,454	0.05%
Other Revenues	265,092	0.65%
Total Revenues	\$40,895,132	100.00%



Instruction comprises 57.25% of governmental program expenses. Support services expenses were 28.64% of governmental program expenses. All other expenses including interest expense were 14.11% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenues increased from the prior year mainly due to an increase in property tax receipts. Total Expenses remained relatively consistent in 2011 as compared to 2010.

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, 2011
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$21,759,191	\$20,929,629	(\$19,969,024)	(\$19,461,275)
Support Services:				
Pupil and Instructional Staff	1,730,561	1,841,534	(1,356,105)	(1,471,084)
School Administrative, General				
Administration, Fiscal and Business	2,986,378	3,283,336	(2,986,378)	(3,283,336)
Operations and Maintenance	2,833,275	3,075,689	(2,015,397)	(2,368,303)
Pupil Transportation	2,805,914	2,838,120	(2,750,293)	(2,838,120)
Central	526,778	655,295	(491,075)	(580,310)
Operation of Non-Instructional Services	1,305,563	1,267,099	68,370	220,053
Extracurricular Activities	662,732	816,058	(7,995)	(154,929)
Interest and Fiscal Charges	3,394,744	3,519,574	(3,394,744)	(3,519,574)
Total Expenses	\$38,005,136	\$38,226,334	(\$32,902,641)	(\$33,456,878)

The District's Funds

The District has three major governmental funds: the General Fund, Debt Service Fund, and the Permanent Improvement Fund. Assets of these funds comprised \$29,748,009 (90%) of the total \$33,036,331 governmental fund assets.

General Fund: Fund balance at June 30, 2011 was (\$5,519,698). Fund balance decreased \$584,878 from the prior year. The primary reason for the decrease in fund balance was due to a \$1,950,000 transfer out of the General Fund into the Building Fund.

Debt Service Fund: Fund balance at June 30, 2011 was \$2,371,400. Fund balance increased \$5,657,303 from 2010. The primary reason for the increase in fund balance was due to the issuance of \$5,980,000 in long-term School Improvement Unlimited Tax General Obligation Bonds.

Permanent Improvement Fund: Fund balance at June 30, 2011 was \$979,293. Fund balance increased \$173,981 from 2010. The primary reason for the increase in fund balance was due to the increase in taxes revenue.

General Fund Budgeting Highlights

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

**Little Miami Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

During the course of fiscal year 2011, the District amended its general fund budget, 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 \$27,863,491, compared to original budget estimates of \$24,524,587. Of the \$3,338,904 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District’s ending unobligated actual fund balance for the General Fund was \$2,723,597.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$73,872,958 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	Governmental Activities	
	2011	2010
Land	\$2,538,132	\$2,538,132
Buildings and Improvements	65,912,621	67,384,868
Equipment	5,422,205	5,657,826
 Total Net Capital Assets	 <u>\$73,872,958</u>	 <u>\$75,580,826</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, 2011
(Unaudited)**

Debt

At fiscal year end, the District had \$76,333,847 in bonds and capital leases payable, \$2,633,051 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2011	2010
Governmental Activities:		
2005 Refunded Bonds:		
Current Interest Bonds	6,050,000	7,635,000
Capital Appreciation Bonds	2,724,968	2,724,968
Accreted Interest	1,240,446	997,722
Premium on Bonds	399,134	478,961
2006 School Improvement:		
Current Interest Bonds	25,051	960,051
Capital Appreciation Bonds	6,624,938	6,624,938
Accreted Interest	1,696,187	1,319,609
2007 Refunding:		
Current Interest Bonds	42,600,001	43,200,001
Capital Appreciation Bonds	2,164,948	2,164,948
Accreted Interest	1,131,341	819,919
Premium on Bonds	2,896,439	3,019,692
Deferred Amount	(1,604,606)	(1,672,887)
HB264 Bond	3,345,000	3,545,000
2011 General Obligation Bonds	5,980,000	0
Total General Obligation Bonds	<u>75,273,847</u>	<u>71,817,922</u>
Capital Leases Payable:		
2006 Equipment Lease	0	164,516
2008 OASBO Field Turf Lease	650,000	729,000
2009 Welsh Road Lease	<u>410,000</u>	<u>483,000</u>
Total Bonds, Notes, and Capital Leases	<u>\$76,333,847</u>	<u>\$73,194,438</u>

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, 2011
(Unaudited)**

For the Future

In July, 2009, Ohio's Governor signed HB 1, the state biennium budget bill. Included in that bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaced the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. However, due to the current economic crisis which had reduced revenue at the state level prompting budget reduction measures across the State. As such, the OEBM model was phased in partially in FY 10 and FY 11 with 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 was not secure.

In June, 2011, HB153 was signed by the Governor of Ohio. The state biennium budget bill covers fiscal years 2012 and 2013. HB153 included language in the bill that eliminated the Ohio Evidence Based Model of funding. As of this date a new, permanent model of funding has not been developed to allocate funds to school districts. This uncertainty could have major impacts on the district's instructional and operational programs. The district will continue to monitor its resources carefully and cautiously. Financially, the future of the District is not without challenges. The district must diligently plan for the future.

On November 8, 2011 the District passed a five year 13.95 mill emergency operating levy. This levy will generate annually \$10,638,795 for general operations of the district. 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 Terry Gonda, Treasurer at Little Miami Local School District, 7247 Zoar Rd, Maineville Ohio 45039.

Little Miami Local School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$7,353,587
Restricted Cash and Investments	53,000
Receivables:	
Taxes	25,272,627
Accounts	10,926
Intergovernmental	266,247
Deferred Bond Issuance Costs	438,467
Nondepreciable Capital Assets	2,538,132
Depreciable Capital Assets, Net	<u>71,334,826</u>
 Total Assets	 <u>107,267,812</u>
Liabilities:	
Accounts Payable	161,524
Accrued Wages and Benefits	3,662,873
Retainage Payable	35,000
Accrued Interest Payable	231,188
Unearned Revenue	22,508,841
Notes Payable	5,071,000
Long-Term Liabilities:	
Due Within One Year	2,848,927
Due In More Than One Year	<u>75,226,756</u>
 Total Liabilities	 <u>109,746,109</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,607,085
Restricted for:	
Other Purposes	3,711
Debt Service	2,273,503
Capital Projects	3,202,038
Food Service	511,729
Special Trust	2,405
District Managed Student Activities	85,864
State Grants	18,702
Federal Grants	92,118
Smith Trust Nonexpendable	18,000
Smith Trust Expendable	4,341
Unrestricted	<u>(10,297,793)</u>
 Total Net Assets	 <u><u>(\$2,478,297)</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, 2011

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Assets Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$15,187,228	\$323,410	\$503,121	(\$14,360,697)
Special	4,468,172	243,819	719,817	(3,504,536)
Other	2,103,791	0	0	(2,103,791)
Support Services:				
Pupil	1,152,566	0	161,157	(991,409)
Instructional Staff	577,995	0	213,299	(364,696)
General Administration	23,342	0	0	(23,342)
School Administration	2,170,235	0	0	(2,170,235)
Fiscal	639,737	0	0	(639,737)
Business	153,064	0	0	(153,064)
Operations and Maintenance	2,833,275	97,758	720,120	(2,015,397)
Pupil Transportation	2,805,914	0	55,621	(2,750,293)
Central	526,778	0	35,703	(491,075)
Operation of Non-Instructional Services	1,305,563	975,231	398,702	68,370
Extracurricular Activities	662,732	654,737	0	(7,995)
Interest and Fiscal Charges	3,394,744	0	0	(3,394,744)
Totals	\$38,005,136	\$2,294,955	\$2,807,540	(32,902,641)

General Revenues:	
Property Taxes Levied for:	
General Purposes	16,606,360
Debt Service Purposes	4,524,489
Capital Projects Purposes	2,142,772
Grants and Entitlements not Restricted to Specific Programs	12,231,470
Unrestricted Contributions	24,198
Investment Earnings	22,454
Other Revenues	240,894
Total General Revenues	35,792,637
Change in Net Assets	2,889,996
Net Assets Beginning of Year	(5,368,293)
Net Assets End of Year	(\$2,478,297)

See accompanying notes to the basic financial statements.

Little Miami Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$1,548,527	\$1,943,053	\$892,932	\$2,969,075	\$7,353,587
Restricted Cash and Investments	0	0	0	53,000	53,000
Receivables:					
Taxes	17,830,861	5,029,385	2,412,381	0	25,272,627
Accounts	8,676	0	2,250	0	10,926
Intergovernmental	0	0	0	266,247	266,247
Interfund	79,944	0	0	0	79,944
Total Assets	19,468,008	6,972,438	3,307,563	3,288,322	33,036,331
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	79,261	0	29,065	53,198	161,524
Accrued Wages and Benefits	3,408,189	0	38,874	215,810	3,662,873
Compensated Absences	115,957	0	0	0	115,957
Retainage Payable	0	0	0	35,000	35,000
Interfund Payable	0	0	53,600	26,344	79,944
Deferred Revenue	16,313,299	4,601,038	2,206,731	164,526	23,285,594
Notes Payable	5,071,000	0	0	0	5,071,000
Total Liabilities	24,987,706	4,601,038	2,328,270	494,878	32,411,892
Fund Balances:					
Nonspendable	0	0	0	18,000	18,000
Restricted	0	2,371,400	979,293	2,879,299	6,229,992
Assigned	477,807	0	0	0	477,807
Unassigned	(5,997,505)	0	0	(103,855)	(6,101,360)
Total Fund Balances	(5,519,698)	2,371,400	979,293	2,793,444	624,439
Total Liabilities and Fund Balances	\$19,468,008	\$6,972,438	\$3,307,563	\$3,288,322	\$33,036,331

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, 2011

Total Governmental Fund Balance		\$624,439
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.		73,872,958
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	612,227	
Intergovernmental	<u>164,526</u>	
		776,753
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.		(231,188)
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		(1,625,879)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		438,467
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(76,333,847)</u>
Net Assets of Governmental Activities		<u><u>(\$2,478,297)</u></u>

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, 2011

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$15,896,421	\$4,505,611	\$2,133,612	\$0	\$22,535,644
Tuition and Fees	567,229	0	0	0	567,229
Investment Earnings	22,374	0	0	80	22,454
Intergovernmental	11,924,971	627,827	338,517	2,756,250	15,647,565
Extracurricular Activities	520,892	0	0	121,006	641,898
Charges for Services	25,000	0	0	1,005,845	1,030,845
Other Revenues	143,268	0	3,750	173,057	320,075
Total Revenues	29,100,155	5,133,438	2,475,879	4,056,238	40,765,710
Expenditures:					
Current:					
Instruction:					
Regular	13,050,568	0	20,584	455,578	13,526,730
Special	3,623,698	0	4,398	822,948	4,451,044
Other	2,103,791	0	0	0	2,103,791
Support Services:					
Pupil	963,210	0	0	164,383	1,127,593
Instructional Staff	393,904	0	0	212,749	606,653
General Administration	23,342	0	0	0	23,342
School Administration	2,157,731	6,240	2,995	0	2,166,966
Fiscal	562,906	40,024	25,459	0	628,389
Business	154,153	0	0	0	154,153
Operations and Maintenance	1,279,917	0	465,800	716,393	2,462,110
Pupil Transportation	2,218,551	0	295,895	55,700	2,570,146
Central	258,751	0	224,699	27,922	511,372
Operation of Non-Instructional Services	0	0	0	1,278,701	1,278,701
Extracurricular Activities	448,883	0	0	123,162	572,045
Capital Outlay	493,500	0	1,969	0	495,469
Debt Service:					
Principal Retirement	0	3,120,000	273,000	243,516	3,636,516
Interest and Fiscal Charges	2,128	2,289,871	253,729	0	2,545,728
Total Expenditures	27,735,033	5,456,135	1,568,528	4,101,052	38,860,748
Excess of Revenues Over (Under) Expenditures	1,365,122	(322,697)	907,351	(44,814)	1,904,962
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	5,980,000	0	0	5,980,000
Transfers In	0	0	0	2,683,370	2,683,370
Transfers (Out)	(1,950,000)	0	(733,370)	0	(2,683,370)
Total Other Financing Sources (Uses)	(1,950,000)	5,980,000	(733,370)	2,683,370	5,980,000
Net Change in Fund Balance	(584,878)	5,657,303	173,981	2,638,556	7,884,962
Fund Balance Beginning of Year	(4,934,820)	(3,285,903)	805,312	154,888	(7,260,523)
Fund Balance End of Year	(\$5,519,698)	\$2,371,400	\$979,293	\$2,793,444	\$624,439

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, 2011

Net Change in Fund Balance - Total Governmental Funds \$7,884,962

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	81,410	
Depreciation Expense	<u>(1,789,278)</u>	
		(1,707,868)

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

Delinquent Property Taxes	110,150	
Intergovernmental	<u>19,272</u>	
Delinquent Property Taxes		129,422

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. 3,636,516

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		(21,541)
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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	(224,020)	
Amortization of Bond Issuance Cost	(31,550)	
Amortization of Bond Premium	203,080	
Amortization of Deferred Charge on Refunding	(68,281)	
Bond Accretion	<u>(930,724)</u>	
		(1,051,495)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (5,980,000)

Change in Net Assets of Governmental Activities		<u><u>\$2,889,996</u></u>
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See accompanying notes to the basic financial statements.

Little Miami Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2011

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$75,837
Receivables:	
Accounts	<u>247</u>
Total Assets	<u><u>76,084</u></u>
Liabilities:	
Accounts Payable	5,500
Other Liabilities	<u>70,584</u>
Total Liabilities	<u><u>\$76,084</u></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, 2011

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, 2011

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, 2011

Governmental Funds

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

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

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

Permanent Improvement – To account for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

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, 2011

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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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.

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 2011. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with 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, 2011.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2011 amounted to \$22,454. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$22,374.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 assignment 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.

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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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.

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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 \$6,212,141, none was restricted by enabling legislation.

Interfund Activity

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

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

Fund Balance

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

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

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

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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

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

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

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.

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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

- (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 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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

covered by federal depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$3,321,429 of the District’s bank balance of \$3,610,047 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that 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, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	\$4,420,190	0.16
	<u>\$4,420,190</u>	
Portfolio Weighted Average Maturity		0.16

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 STAR Ohio were rated AAAM by Standard & Poor’s.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 100% of the District’s investments in STAR Ohio.

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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. In 2011, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2011. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2011 on the fund 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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

amount available as an advance at June 30, 2011, was \$1,517,562 for the General Fund, \$428,347 for the Debt Service Fund, \$205,650 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 2011 operations.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$751,936,520
Public Utility	<u>18,371,260</u>
Total	<u><u>\$770,307,780</u></u>

Note 5 – Receivables

Receivables at June 30, 2011, 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.

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Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, 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
Total Capital Assets, not being depreciated	2,538,132	0	0	2,538,132
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements**	74,795,002	63,887	0	74,858,889
Equipment**	11,459,250	17,523	0	11,476,773
Total Capital Assets, being depreciated:	86,254,252	81,410	0	86,335,662
Totals at Historical Cost	88,792,384	81,410	0	88,873,794
Less Accumulated Depreciation:				
Buildings and Improvements	7,928,174	1,018,094	0	8,946,268
Equipment	5,283,384	771,184	0	6,054,568
Total Accumulated Depreciation	13,211,558	1,789,278	0	15,000,836
Governmental Activities Capital Assets, Net	<u>\$75,580,826</u>	<u>(\$1,707,868)</u>	<u>\$0</u>	<u>\$73,872,958</u>

** - \$518,040 was reclassified from building and improvements to equipment in the beginning balance column to adjust the cost classification. (Accumulated depreciation did not require adjustment).

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,415,084
Support Services:	
Pupil	610
Instructional Staff	1,738
School Administration	7,470
Fiscal	594
Business	3,010
Operations and Maintenance	20,559
Pupil Transportation	238,574
Operation of Non-Instructional Services	15,237
Extracurricular Activities	86,402
Total Depreciation Expense	<u><u>\$1,789,278</u></u>

Note 7 - Short-Term Liabilities

	Rate	Beginning Balance	Issued	Retired	Ending Balance
Bond Anticipation Note	2.13%	\$5,980,000	\$0	\$5,980,000	\$0
Certificates of Participation Note	2.00%	5,165,000	0	5,165,000	0
Tax Anticipation Note	2.00%	0	2,000,000	2,000,000	0
State Solvency Assistance Advance	0.00%	0	5,071,000	0	5,071,000
Total Anticipation Notes and Advances		<u><u>\$11,145,000</u></u>	<u><u>\$7,071,000</u></u>	<u><u>\$13,145,000</u></u>	<u><u>\$5,071,000</u></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 \$2,000,000 Tax Anticipation Note was issued and paid off to fund general expenditures throughout the District.

During fiscal year 2011, the District received an interest free State solvency assistance advance in the amount of \$5,071,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In fiscal years 2011 and 2012, the District will pay \$2,535,500 a year to retire the solvency assistance advance.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 8 - Long-Term Liabilities

	Rate	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Governmental Activities:						
2005 Refunded Bonds:						
Current Interest Bonds	3.50%	\$7,635,000	\$0	(\$1,585,000)	\$6,050,000	\$1,735,000
Capital Appreciation Bonds						
Principal		2,724,968	0	0	2,724,968	0
Accreted Interest		997,722	242,724	0	1,240,446	0
Premium on Bonds		478,961	0	(79,827)	399,134	0
2006 School Improvement:						
Current Interest Bonds	5.14%	960,051	0	(935,000)	25,051	25,051
Capital Appreciation Bonds						
Principal		6,624,938	0	0	6,624,938	0
Accreted Interest		1,319,609	376,578	0	1,696,187	0
2007 Refunding:						
Current Interest Bonds	4.64%	43,200,001	0	(600,000)	42,600,001	225,000
Capital Appreciation Bonds						
Principal		2,164,948	0	0	2,164,948	0
Accreted Interest		819,919	311,422	0	1,131,341	0
Premium on Bonds		3,019,692	0	(123,253)	2,896,439	0
Deferred Amount		(1,672,887)	0	68,281	(1,604,606)	0
HB264 Bond	3.50%	3,545,000	0	(200,000)	3,345,000	430,000
2011 GO Bonds	6.88%	0	5,980,000	0	5,980,000	60,000
Total General Obligation Bonds & Notes		71,817,922	6,910,724	(3,454,799)	75,273,847	2,475,051
Capital Lease:						
2006 Equipment Lease	4.74%	164,516	0	(164,516)	0	0
2008 OASBO Field Turf Lease	4.06%	729,000	0	(79,000)	650,000	82,000
2009 Welsh Road Lease	3.99%	483,000	0	(73,000)	410,000	76,000
Total Long Term Debt		73,194,438	6,910,724	(3,771,315)	76,333,847	2,633,051
Compensated Absences		1,658,371	417,802	(334,337)	1,741,836	215,876
Total Governmental Activities		\$74,852,809	\$7,328,526	(\$4,105,652)	\$78,075,683	\$2,848,927

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

2011 School Improvement Unlimited Tax General Obligation Bonds

On May 20, 2011, the District issued \$5,980,000 in school improvement general obligation bonds at an interest rate of 6.875% to retire the previously issued \$5,980,000 Bond Anticipation Note.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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.

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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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, 2011 was \$63,649,409.

Principal and interest requirements for governmental activities to retire bonds and notes outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$2,475,051	\$2,451,670	\$4,926,721	\$0	\$0	\$0
2013	2,910,000	2,559,125	5,469,125	315,660	109,340	425,000
2014	3,100,000	2,453,756	5,553,756	386,470	158,530	545,000
2015	715,000	2,339,800	3,054,800	1,876,341	1,378,659	3,255,000
2016	1,795,000	2,311,100	4,106,100	1,945,082	1,564,918	3,510,000
2017-2021	4,530,000	10,721,419	15,251,419	4,826,353	3,783,647	8,610,000
2022-2026	4,205,000	3,289,619	7,494,619	2,164,948	8,645,052	10,810,000
2027-2031	20,030,000	7,312,138	27,342,138	0	0	0
2032-2035	18,240,001	2,008,025	20,248,026	0	0	0
Total	<u>\$58,000,052</u>	<u>\$35,446,652</u>	<u>\$93,446,704</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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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
2012	\$202,339
2013	202,739
2014	166,847
2015	167,157
2016	166,212
2017-2018	331,714
Total Minimum Lease Payments	1,237,008
Less: Amount Representing Interest	(170,665)
Less: Additional Program Cost Component	(6,343)
Present Value of Minimum Lease Payments	<u>\$1,060,000</u>

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*.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$870,096, \$797,520, and \$822,108, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$1,865,424, \$2,058,756, and \$2,138,796, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$47,234, \$43,294 and \$44,042, 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, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$88,874, \$26,204, and \$244,284, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$133,245, \$147,054, and \$152,771, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 2011, 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.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

ORC 3315.17 (B)(2) and ORC 3315.18 (D)(1) allows a District that is in fiscal emergency to deposit no money into their textbook and capital set-asides. In fiscal year 2011, the District decided not to deposit money in their textbooks and capital set-asides. The extra amount in the textbooks set aside may be used to reduce the set-aside requirements in future fiscal years. Since the capital set-aside qualifying expenditures do not reduce set-aside requirements of future fiscal years, qualifying expenditures were not presented.

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 2011. 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, 2011

Note 16 - Accountability

The following funds had deficit fund balances at June 30, 2011:

General Fund	\$5,519,698
Vocational Education Enhancement	1,580
Title VI-B	66,184
Title I	20,943
Improving Teacher Quality	15,069
Miscellaneous Federal Grants	79

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

Note 17 - Interfund Balances/Transfers

Interfund transactions at June 30, 2011, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$79,944	\$0	\$0	\$1,950,000
Permanent Improvement Fund	0	53,600	0	733,370
Other Governmental Funds	0	26,344	2,683,370	0
Total All Funds	<u>\$79,944</u>	<u>\$79,944</u>	<u>\$2,683,370</u>	<u>\$2,683,370</u>

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 transfers out of the Permanent Improvement Fund were used for debt service payments related to capital debt and are therefore in compliance with the requirements of the Ohio Revised Code.

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 18 – Subsequent Events

During July 2011, the District received additional interest free State solvency assistance advances in the amount of \$5,952,000. The State solvency assistance advances will be paid from the general fund with school foundation revenue. The advances are scheduled to be paid off in June, 2014.

On November 8, 2011, the Little Miami Local School District passed a five year 13.95 mill emergency operating levy that will annually generate \$10,638,795. This levy purpose was to eliminate the operating deficit and improve cash flow of the general operations of the District.

After passage of the emergency operating levy, the District will continue to be supervised under the state-appointed committee until deemed appropriate for release from fiscal emergency status.

Note 19 – Ability To Continue As A Going Concern

Questions about the District's ability to continue as a going concern remain after the passage of the November 2011 emergency operating levy. The District continues to be classified by the state of Ohio as in fiscal emergency with a state-appointed committee supervising District operations.

As discussed in Note 18, additional State solvency assistance advances of almost \$6,000,000 were needed to meet cash flow requirements shortly after the current fiscal year end. Current District plans to deal with this situation include additional borrowing from the state of Ohio until the proceeds of the emergency operating levy begin to be collected. Management does not anticipate the recoverability of assets as being a significant problem. However, the shortage of revenues in relation to expenses will result in significant continuing cash flow problems in the near-term.

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Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 20 – Fund Balances

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

Fund Balances	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total
Nonspendable:					
Smith Trust	0	0	0	18,000	18,000
Total Nonspendable	0	0	0	18,000	18,000
Restricted for:					
Other Grants	0	0	0	16,837	16,837
Districted Managed Activities	0	0	0	85,864	85,864
Management Information Systems	0	0	0	1,262	1,262
Entry Year Programs	0	0	0	465	465
Data Communication	0	0	0	12,145	12,145
Education Jobs	0	0	0	10,156	10,156
IDEA Preschool Grant	0	0	0	450	450
Fiscal Stabilization	0	0	0	25,671	25,671
Food Services	0	0	0	540,226	540,226
Special Trust	0	0	0	2,405	2,405
Smith Trust	0	0	0	4,341	4,341
Debt Service	0	2,371,400	0	0	2,371,400
Permanent Improvements	0	0	979,293	0	979,293
Buildings	0	0	0	2,179,477	2,179,477
Total Restricted	0	2,371,400	979,293	2,879,299	6,229,992
Assigned to:					
Fringe Benefits	2,289	0	0	0	2,289
Purchased Services	409,338	0	0	0	409,338
Materials and Supplies	30,825	0	0	0	30,825
Capital Outlay	18,716	0	0	0	18,716
Other	3,105	0	0	0	3,105
Public School Support	12,547	0	0	0	12,547
Uniform School Supplies	987	0	0	0	987
Total Assigned	477,807	0	0	0	477,807
Unassigned (Deficit)	(5,997,505)	0	0	(103,855)	(6,101,360)
Total Fund Balance	(5,519,698)	2,371,400	979,293	2,793,444	624,439

Little Miami Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 21 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

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

Restatement of Fund Balance

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

	General Fund	Permanent Improvement Fund	Building Fund	Other Governmental Funds
Fund Balance, June 30, 2010	(\$5,101,447)	n/a*	(\$428,585)	\$1,555,412
Major fund reclassification	0	805,312	428,585	(1,233,897)
Change in Fund Structure	166,627	0	0	(166,627)
Fund Balance, June 30, 2010 - Restated	<u>(\$4,934,820)</u>	<u>\$805,312</u>	<u>\$0</u>	<u>\$154,888</u>

*- included in Other Governmental Funds at June 30, 2010

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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, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$13,183,137	\$14,977,958	\$14,978,880	\$922
Tuition and Fees	328,539	373,268	373,291	23
Investment Earnings	19,692	22,373	22,374	1
Intergovernmental	10,495,346	11,924,237	11,924,971	734
Extracurricular Activities	366,801	416,739	416,765	26
Charges for Services	22,003	24,998	25,000	2
Other Revenues	109,069	123,918	123,926	8
Total Revenues	24,524,587	27,863,491	27,865,207	1,716
Expenditures:				
Current:				
Instruction:				
Regular	12,571,116	14,477,037	13,418,640	1,058,397
Special	3,444,752	3,967,015	3,676,992	290,023
Other	1,970,915	2,269,728	2,103,791	165,937
Support Services:				
Pupil	933,746	1,075,313	996,698	78,615
Instructional Staff	382,145	440,083	407,909	32,174
General Administration	22,739	26,186	24,272	1,914
School Administration	2,019,864	2,326,098	2,156,040	170,058
Fiscal	528,203	608,285	563,814	44,471
Business	169,514	195,214	180,942	14,272
Operations and Maintenance	1,301,188	1,498,463	1,388,912	109,551
Pupil Transportation	2,104,560	2,423,635	2,246,446	177,189
Central	245,285	282,473	261,822	20,651
Extracurricular Activities	348,698	401,565	372,207	29,358
Capital Outlay	782,355	900,969	835,100	65,869
Debt Service:				
Principal Retirement	3,950,000	4,261,557	3,950,000	311,557
Interest and Fiscal Charges	(247,489)	2,296	2,128	168
Total Expenditures	30,527,591	35,155,917	32,585,713	2,570,204
Excess of Revenues Over (Under) Expenditures	(6,003,004)	(7,292,426)	(4,720,506)	2,571,920
Other financing sources (uses):				
Issuance of State Solvency Assistance Advance	4,463,063	5,070,688	5,071,000	312
Issuance of Short-Term Tax Anticipation Notes	1,760,230	1,999,877	2,000,000	123
Total Other Financing Sources (Uses)	6,223,293	7,070,565	7,071,000	435
Net Change in Fund Balance	220,289	(221,861)	2,350,494	2,572,355
Fund Balance Beginning of Year (includes prior year encumbrances appropriated) Restated	373,103	373,103	373,103	0
Fund Balance End of Year	\$593,392	\$151,242	\$2,723,597	\$2,572,355

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, 2011

NOTE 1 - BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is 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 2011.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund 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, 2011

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	(\$584,878)
Revenue Accruals	(1,234,948)
Expenditure Accruals	(4,329,741)
Issuance of Short-Term Tax Anticipation Notes	2,000,000
Issuance of State Solvency Assistance Advance	5,071,000
Transfers (Out)	1,950,000
Encumbrances	<u>(520,939)</u>
Budget Basis	<u><u>\$2,350,494</u></u>



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
APRIL 17, 2012