



**Mary Taylor, CPA**  
Auditor of State

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

**Financial Forecast  
For the Fiscal Year Ending June 30, 2011**

**Local Government Services Section**



**Little Miami Local School District  
Warren County**

**Financial Forecast**

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Mary Taylor, CPA  
Auditor of State

Little Miami Local School District  
Financial Planning and Supervision Commission  
Ohio Department of Education  
25 Front Street  
Columbus, Ohio 43215

and

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

**CERTIFICATION**

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Little Miami Local School District, Warren County, Ohio, and issued a report dated October 19, 2010. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2011 of \$5,071,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2012 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2011.

Mary Taylor, CPA  
Auditor of State

A handwritten signature in black ink that reads "Unice S. Smith".

Unice S. Smith  
Chief of Local Government Services

November 9, 2010



# Mary Taylor, CPA

Auditor of State

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

## Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Little Miami Local School District for the fiscal year ending June 30, 2011. The Little Miami Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Little Miami Local School District for the fiscal years ended June 30, 2008, 2009 and 2010 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

October 19, 2010

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**Little Miami Local School District**  
Warren County  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Years Ended June 30, 2008 Through 2010 Actual;  
For the Fiscal Year Ending June 30, 2011 Forecasted  
General Fund

	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Forecasted
<b>Revenues</b>				
General Property Tax	\$13,593,000	\$14,384,000	\$14,621,000	\$14,695,000
Tangible Personal Property Tax	420,000	233,000	43,000	21,000
Unrestricted Grants-in-Aid	8,373,000	10,442,000	9,616,000	9,307,000
Restricted Grants-in-Aid	97,000	150,000	49,000	52,000
Restricted Federal Grants-in-Aid	0	0	595,000	1,105,000
Property Tax Allocation	2,103,000	2,286,000	2,502,000	2,573,000
All Other Revenues	3,020,000	1,367,000	1,136,000	806,000
<i>Total Revenues</i>	<u>27,606,000</u>	<u>28,862,000</u>	<u>28,562,000</u>	<u>28,559,000</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Notes	4,840,000	0	1,000,000	2,000,000
Advances In	78,000	146,000	256,000	200,000
Transfers In	0	3,000	0	0
<i>Total Other Financing Sources</i>	<u>4,918,000</u>	<u>149,000</u>	<u>1,256,000</u>	<u>2,200,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>32,524,000</u>	<u>29,011,000</u>	<u>29,818,000</u>	<u>30,759,000</u>
<b>Expenditures</b>				
Personal Services	17,420,000	18,329,000	16,700,000	16,453,000
Employees' Retirement/Insurance Benefits	6,687,000	6,627,000	6,811,000	7,113,000
Purchased Services	3,454,000	3,553,000	4,759,000	5,348,000
Supplies and Materials	1,039,000	947,000	937,000	984,000
Capital Outlay	2,225,000	229,000	22,000	862,000
Debt Service:				
Principal	1,019,000	0	1,000,000	2,322,000
Interest	13,000	0	3,000	3,000
Other Objects	462,000	493,000	472,000	482,000
<i>Total Expenditures</i>	<u>32,319,000</u>	<u>30,178,000</u>	<u>30,704,000</u>	<u>33,567,000</u>
<b>Other Financing Uses</b>				
Transfers Out	114,000	110,000	68,000	0
Advances Out	146,000	69,000	188,000	200,000
All Other Financing Uses	40,000	4,000	54,000	0
<i>Total Other Financing Uses</i>	<u>300,000</u>	<u>183,000</u>	<u>310,000</u>	<u>200,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>32,619,000</u>	<u>30,361,000</u>	<u>31,014,000</u>	<u>33,767,000</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(95,000)	(1,350,000)	(1,196,000)	(3,008,000)
Cash Balance (Deficit) July 1	1,069,000	974,000	(376,000)	(1,572,000)
Cash Balance (Deficit) June 30	<u>974,000</u>	<u>(376,000)</u>	<u>(1,572,000)</u>	<u>(4,580,000)</u>
<b>Encumbrances and Reserves:</b>				
Actual/Estimated Encumbrances June 30	317,000	404,000	337,000	300,000
Reservations of Fund Balance for:				
Textbooks	209,000	45,000	490,000	191,000
Total Encumbrances and Reserves of Fund Balance	<u>526,000</u>	<u>449,000</u>	<u>827,000</u>	<u>491,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$448,000</u>	<u>(\$825,000)</u>	<u>(\$2,399,000)</u>	<u>(\$5,071,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies  
See accountant's report

**Little Miami Local School District**  
Warren County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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**Note 1 – The School District**

The Little Miami Local School District (the School District) is located in Warren County and includes all the Villages of Morrow, Maineville, and Butlerville, Ohio, and portions of surrounding townships. The School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates five instructional buildings. The School District is staffed by 138 non-certified, 220 certificated personnel who provide services to 4,046 students and other community members.

**Note 2 - Nature of the Forecast**

This financial forecast presents, to the best of the Little Miami Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of October 19, 2010, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 – Nature of the Presentation**

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

**Note 4 - Summary of Significant Accounting Policies**

**A. - Basis of Accounting**

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



**Little Miami Local School District**  
Warren County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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**B. - Fund Accounting**

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

**Governmental Funds**

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

**Proprietary Funds**

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

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

**Fiduciary Funds**

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

**C. - Budgetary Process**

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

**Little Miami Local School District**  
Warren County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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

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

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

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

**Note 5 - General Operating Assumptions**

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

**Note 6 - Significant Assumptions for Revenues and Other Financing Sources**

**A. - General and Tangible Personal Property Taxes**

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

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2010 (the collection year) for real and public utility property taxes represents collections of 2009 taxes (the tax year). Property tax payments received during calendar year 2010 for tangible personal property (other than public utility property) are for calendar year 2010 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

**Little Miami Local School District**  
 Warren County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2011

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2012 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2011.

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

Tax Levies	Year Approved	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	\$1.60
Continuing Operating	1976	24.00
Continuing Operating	1984	3.81
Continuing Operating	1989	3.93
<b>Total Tax Rate</b>		<b>\$33.34</b>

The School District also has levies for bonded debt and permanent improvements totaling \$9.25 per \$1,000 of assessed valuation. The School District's total rate is \$42.59 per \$1,000 of valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is \$22.14 per \$1,000 of assessed valuation for collection year 2010, and the effective commercial and industrial real property tax rate is \$20.33 per \$1,000 of assessed valuation for collection year 2010.

**Little Miami Local School District**  
Warren County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Warren County Auditor. The School District anticipates an increase of \$74,000 from the prior fiscal year. The School District's valuation decreased 7.6 percent for collection year 2010; however, this was offset by an increase in the effective residential and agricultural real property tax rate from \$20 per \$1,000 of assessed valuation in collection year 2009 to \$22.14 per \$1,000 of assessed valuation in collection year 2010.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected since calendar year 2009 from general business taxpayers and no tangible personal property tax on telephone property has been collected since 2010. The School District, based on the last year of collections before the phase out period, lost approximately \$916,000, annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below). The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes.

**B. - Unrestricted Grants-in-Aid**

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The semi-annual payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills multiplied by the school district's taxable property valuation. The per pupil foundation level was set by the State Legislature. Beginning in fiscal year 2008, the per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

**Little Miami Local School District**  
 Warren County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2011

The per pupil amount for fiscal years 2008 and 2009 is as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2008	\$5,565	\$49	\$5,614
2009	5,732	51	5,783

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

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount are phased in over a five year period. In addition, school districts were guaranteed 99 percent of the prior fiscal year's State Foundation aid for fiscal year 2010 and 98 percent of the prior year's State Foundation aid for fiscal year 2011. For fiscal year 2011, the Little Miami Local School District estimates \$5,361,000 in adequacy funding and \$3,946,000 in guarantee funding.

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

**C. - Restricted Grants-in-Aid**

In past years, restricted grants-in-aid consisted of career technologies and bus purchase allowance monies. For fiscal year 2011, the School District anticipates no bus purchase allowance monies, \$2,000 in career tech monies, and \$50,000 in catastrophic aid for special education students.

**D. - Restricted Federal Grants-in-Aid**

In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The Little Miami Local School District, based on estimates provided by the Department of Education, anticipates \$641,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries.

**Little Miami Local School District**  
Warren County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

During fiscal year 2011, Ohio was allocated \$361 million from the Education Jobs (Ed Jobs) program to help save or create education jobs for fiscal year 2011 and 2012. The Education Jobs grant will be distributed through the Ohio Department of Education’s Comprehensive Continuous Improvement Plan. The School District has chosen to use these funds to retain teachers. The Little Miami Local School District, based on estimates provided by the Department of Education, anticipates \$464,000 and will expend the entire grant in fiscal year 2011.

**E. - Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimburse the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2011, the School District anticipates receiving \$366,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecasted Fiscal Year 2011	Variance
Homestead and Rollback	\$1,865,000	\$2,067,000	\$2,158,000	\$2,207,000	\$49,000
Tangible Personal Property Exemption	12,000	6,000	0	0	0
Tangible Personal Property Loss Reimbursement	226,000	213,000	344,000	366,000	22,000
Totals	<u>\$2,103,000</u>	<u>\$2,286,000</u>	<u>\$2,502,000</u>	<u>\$2,573,000</u>	<u>\$71,000</u>

**F. - All Other Revenues**

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

**Little Miami Local School District**  
Warren County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

Tuition includes preschool, summer school and special education from state foundation, which is expected to remain constant into fiscal year 2011.

The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. The School District anticipates interest revenue to remain the same for fiscal year 2011 due to steady interest rates expected.

The School District receives rental revenue from turf and building rental, which is expected to remain constant. The School District is not anticipating any receipts for fiscal year 2011 for refunds of prior year expenditures or proceeds from the sale of assets.

The School District receives tax increment financing revenues from Hamilton Township. Fiscal year 2009 was the first fiscal year the School District received this revenue, which includes prior year amounts, making the first fiscal year receipts larger than subsequent fiscal years.

The School District increased fees for the pay-to-play program, which caused extracurricular revenues to increase from fiscal year 2009 to 2010. The School District increased the fees during fiscal year 2011 as well. However, due to a decline in students participating in the programs, the School District is expecting receipts to remain the same for fiscal year 2011.

Other miscellaneous revenues included a one-time receipt of excess funds from the Warren County Auditor during fiscal year 2010 of approximately \$300,000. The remaining other miscellaneous revenues are from reimbursements for lost and damaged books, along with various other items.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Tuition	\$37,000	\$53,000	\$299,000	\$299,000	\$0
Interest on Investments	2,843,000	906,000	27,000	27,000	0
Rentals	19,000	22,000	12,000	12,000	0
Contributions and Donations	3,000	0	0	0	0
Tax Increment Financing Revenues	0	247,000	101,000	101,000	0
Extracurricular Fees	74,000	76,000	319,000	319,000	0
Other Receipts	33,000	62,000	348,000	48,000	(300,000)
Refund of Prior Year Expenditures	11,000	1,000	13,000	0	(13,000)
Proceeds from the Sale of Assets	0	0	17,000	0	(17,000)
<b>Totals</b>	<b>\$3,020,000</b>	<b>\$1,367,000</b>	<b>\$1,136,000</b>	<b>\$806,000</b>	<b>(\$330,000)</b>

**G. - Other Financing Sources**

Transfers and Advances In – The School District anticipates receiving advances in of \$200,000 during the forecast period. During the fiscal year, the general fund advances money to various grant funds in order to prevent the grant funds from having negative balances. Those advances are anticipated to be repaid during the same fiscal year.

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Proceeds from the Sale of Notes – The School District issued House Bill 264 energy conservation notes during fiscal year 2008 in the amount of \$3,890,000. The School District issued \$950,000 and \$1,000,000 in tax anticipation notes during fiscal years 2008 and 2010 to cover short-term cash needs. The School District issued tax anticipation notes during fiscal year 2011, which resulted in proceeds from the sale of notes of \$2,000,000.

**Note 7 - Significant Assumptions for Expenditures and Other Financing Uses**

**A. - Personal Services**

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, student workers and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels for the last three fiscal years and the forecast period are displayed in the following chart. The amounts represent full time equivalents.

	2008	2009	2010	2011
General Fund:				
Certified	235	248	214	207
Classified	127	133	118	108
Total General Fund	362	381	332	315
Other Funds:				
Certified	12	10	13	13
Classified	28	26	26	30
Total Other Funds	40	36	39	43
Totals	402	417	371	358

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The contract covers the period beginning July 1, 2006 through June 30, 2009, and allows for three percent increases in the base salary and step increases ranging from two to four percent in fiscal years 2007, 2008 and 2009. The contract for certified staff has expired and a new contract has not been finalized. The \$353,000 decrease in certified salaries in fiscal year 2011 is due to the School District paying out the remaining contracts in fiscal year 2010 for the 34 teaching positions eliminated at the end of fiscal year 2009, the additional reduction of six full time equivalent positions, and the replacement of experienced teachers with less experienced teachers.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract for classified staff covers the period beginning July 1, 2008 through June 30, 2011. The contract allows for a two percent increase in base salary for fiscal year 2008 as well as shift differential for second and third shift employees. The \$14,000 decrease in classified salaries in fiscal year 2011 is due to the School District reorganizing bus routes which reduced work hours, not filling vacant positions, and paying employees from different funds.

Substitute salaries are expected to increase by \$88,000 during the forecast period. This increase is based upon historical information, which excluded fiscal year 2010 due to an unusually low usage of substitute employees.



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Supplementary contracts are expected to remain constant during the forecast period due to the School District not renewing some supplemental contracts and a reduction in student participation due to pay to play fees.

Upon retirement, the School District offers its certified employees severance pay of 25 percent of their unused sick leave up to a maximum of 66 days paid in January of the year following their retirement. Classified employees are entitled to severance pay of 25 percent of their unused sick leave, up to a maximum of 55 days paid. Severance pay for the current fiscal year includes only those employees eligible to retire who are below 55 years of age. During fiscal year 2009, the School District offered an early retirement incentive. The plan allowed teachers to retire in either fiscal year 2009 or 2010. A total of seven teachers took advantage of the plan, four of which elected to retire during fiscal year 2010. The four teachers were the only certified staff to retire for the year which made the severance paid out for fiscal year 2010 appear to have a large decrease.

Other salaries and wages include over time and board compensation.

Presented below is a comparison of the past three fiscal years and the forecast period.

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Certified Salaries	\$12,732,000	\$13,525,000	\$12,870,000	\$12,517,000	(\$353,000)
Classified Salaries	3,500,000	3,569,000	3,039,000	3,025,000	(14,000)
Substitute Salaries	556,000	578,000	426,000	514,000	88,000
Supplemental Contracts	463,000	492,000	294,000	295,000	1,000
Severance Pay	162,000	149,000	60,000	83,000	23,000
Other Salaries and Wages	7,000	16,000	11,000	19,000	8,000
Totals	<u>\$17,420,000</u>	<u>\$18,329,000</u>	<u>\$16,700,000</u>	<u>\$16,453,000</u>	<u>(\$247,000)</u>

**B. – Employees’ Retirement/Insurance Benefits**

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

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

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

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Starting January 1, 2007, the School District provided the Ohio High Deductible Health Plan (HDHP) which is administered by Anthem. The School District pays 100 percent of the monthly premium for single and family coverage. In addition the School District places 25 percent of the plan's deductible into Health Spending Accounts (HSA) for each employee. The gross monthly charges per person for health care benefits are as follows:

Health Care Plan	Effective January 1, 2009		Effective January 1, 2010		Effective January 1, 2011	
	Certified	Classified	Certified	Classified	Certified	Classified
<b>Anthem</b>						
Single	271.04	315.48	403.85	470.07	428.85	499.17
Family	669.20	748.97	997.11	1,115.97	1,088.83	1,185.05

Vision benefits for certified employees are provided by Guardian and Ohio AFSCME provides coverage for classified employees. The gross monthly charge per certified person is \$8.24 for singles and \$17.71 for families. The monthly gross charge for classified person is \$16.25 for single and family. The premium rates for calendar year 2009, 2010, and 2011 are set by Anthem per the above stated amounts.

Dental insurance is provided by The Dental Care Plus Group. The School District pays 95 percent of the premium for certified and classified employees for in network providers and 91 percent of the premium for certified and classified employees for out of network providers. The following is a chart detailing the premiums:

Dental Plan	Effective January 1, 2009		Effective January 1, 2010		Effective January 1, 2011	
	Certified	Classified	Certified	Classified	Certified	Classified
<b>Dental Care Plus</b>						
Single & Family	66.44	67.69	66.44	67.69	70.43	71.07
Out of Network	69.06	71.07	69.09	71.07	73.24	74.62

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program. Health care, dental, and life insurance benefits increased due to an increase in premium as well as more employees electing to take the benefits.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May as in prior fiscal years. The premium for calendar year 2010, due in May 2011, decreased from \$1.04 per hundred dollars of payroll to \$1.03 per hundred dollars of payroll.

The unemployment benefits have a significant decrease due to the numerous laid off employees finding employment with other school districts.

The School District offered an early retirement incentive program during fiscal year 2009. Employees participating in the program could retire at the end of fiscal year 2009 or delay their retirement until the end of fiscal year 2010. Four teachers retired at the end of fiscal year 2009, one retired during fiscal year 2010 and two retired at the end of fiscal year 2010. The payments are made over a three year period with the first payment being made during fiscal year 2010. The payment for fiscal year 2011 increased due to the two additional employees that retired at the end of fiscal year 2010.

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Presented below is a comparison of the past three fiscal years and the forecast period:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Employer's Retirement	\$2,305,000	\$2,630,000	\$2,360,000	\$2,347,000	(\$13,000)
Medical, Dental Vision and Life	3,981,000	3,561,000	3,692,000	4,080,000	388,000
Workers' Compensation	102,000	134,000	180,000	171,000	(9,000)
Medicare	224,000	235,000	219,000	237,000	18,000
Unemployment	10,000	7,000	184,000	47,000	(137,000)
Severance Pay	0	0	116,000	171,000	55,000
Tuition Reimbursement	65,000	60,000	60,000	60,000	0
Totals	<u>\$6,687,000</u>	<u>\$6,627,000</u>	<u>\$6,811,000</u>	<u>\$7,113,000</u>	<u>\$302,000</u>

**C. - Purchased Services**

Presented below are the purchased services expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Professional and Technical Services	\$925,000	\$1,120,000	\$1,481,000	\$1,394,000	(\$87,000)
Property Services	519,000	281,000	356,000	372,000	16,000
Travel and Meeting Expenses	37,000	27,000	11,000	12,000	1,000
Communication Cost	169,000	114,000	114,000	120,000	6,000
Utility Services	772,000	917,000	1,085,000	1,178,000	93,000
Trade Services	24,000	13,000	5,000	6,000	1,000
Tuition Payments	897,000	944,000	1,622,000	2,213,000	591,000
Pupil Transportation	23,000	22,000	16,000	17,000	1,000
Other Purchased Services	88,000	115,000	69,000	72,000	3,000
Totals	<u>\$3,454,000</u>	<u>\$3,553,000</u>	<u>\$4,759,000</u>	<u>\$5,384,000</u>	<u>\$625,000</u>

Professional and technical services are forecasted to decrease mainly due to decreased services provided by the Warren County Educational Service Center. These services include special education, alternative school, and pre-school. Utility services are increasing due to an error in water and sewer billing by the Village of Morrow in fiscal year 2010 that will be paid in fiscal year 2011. Tuition payments will increase due to an increase of 67 students attending other school districts under open enrollment and community schools.

**D. - Supplies and Materials**

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

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	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$363,000	\$415,000	\$353,000	\$371,000	\$18,000
Operations, Maintenance and Repair	675,000	532,000	584,000	613,000	29,000
Textbooks	1,000	0	0	0	0
Totals	<u>\$1,039,000</u>	<u>\$947,000</u>	<u>\$937,000</u>	<u>\$984,000</u>	<u>\$47,000</u>

Supplies and materials are forecasted to increase due to the anticipated increase in general supplies and bus fuel. The School District through a classroom facilities project has opened two new school buildings in fiscal year 2010. These buildings have more square footage than the old buildings that were closed and require more janitorial supplies. Bus fuel costs have varied greatly over the last couple of fiscal years but are anticipated to increase overall for fiscal year 2011.

**E. - Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general services are recorded as expenditures. In fiscal year 2011, the school District is forecasting \$862,000 in expenditures. The increase is due to the House Bill 264 energy conservation project that started in fiscal year 2008 and is to be completed in fiscal year 2011. The School District has a permanent improvement fund that is expected to generate approximately \$2,275,000 in fiscal year 2011. The School District uses this fund to make most capital expenditures.

**F. - Debt**

General Fund supported debt consists of tax anticipation notes and the House Bill 264 energy conservation loan. In fiscal year 2008, the School District received proceeds for the House Bill 264 energy conservation loan of \$3,890,000. The work on the energy conservation is to be completed in fiscal year 2011 without using all the proceeds. The \$322,000 of unspent proceeds in fiscal year 2011 will be used to pay against the principal of the loan. In future years, the House Bill 264 energy conservation loan principal and interest will be paid from the Permanent Improvement Fund.

The principal payments in fiscal year 2008 included the \$950,000 tax anticipation note issued in fiscal year 2008 and \$69,000 House Bill 264 loan issued in fiscal year 2002. The principal payment in fiscal year 2010 was the \$1,000,000 tax anticipation note issued in fiscal year 2010.

**G. - Other Objects**

Other object expenditures consist of dues and fees, insurance and awards. Other object expenditures are forecasted in the amount of \$482,000. This is relatively similar to the last two fiscal year expenditures.

**H. - Operating Transfers and Advances Out**

The general fund is anticipating advances out in fiscal year 2011 in the amount of \$200,000 due to the timing of the receipt of proceeds. The general fund provides temporary funding of the program until the grant dollars are received.

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**Note 8 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects as of June 30, 2010 were \$337,000 and are forecasted at \$300,000 for June 30, 2011.

**Note 9 - Reservations of Fund Balance**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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.

**A. - Textbooks and Instructional Materials Set-Aside**

Under Section 3315.17(B)(2), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the textbook set aside. The Board of Education by resolution on September 21, 2010, waived the set-aside requirement for Fiscal year 2011. The School District had a carryover balance from fiscal year 2010 of \$490,000. During fiscal year 2011, the School District anticipates \$299,000 in qualified expenditures: therefore, a reserve of \$191,000 for textbooks and instructional materials is forecasted for fiscal year 2011.

**B. - Capital and Maintenance Set-Aside**

The set aside amount for fiscal year 2011 is anticipated to be \$652,000. The School District anticipates offsets from property taxes from the permanent improvement and classroom facilities levies of \$2,275,000. Therefore, no reserve amount is forecasted for capital acquisition and improvements.

**Note 10 - Levies**

In the past two years, the School District has placed six levies on the ballot. Of these levies, two were income tax levies and four were emergency operating levies. None of these levies were passed by the voters. A 10.95 mill 5-year emergency operating levy is on the November, 2010 ballot. If passed, the levy will generate approximately \$8,318,00 in calendar year 2011.

**Note 11 – Pending Litigation**

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

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**Note 12 – Financial Planning and Supervision Commission**

On July 13, 2010, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Warren County Auditor. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must in accordance with the plan.

A financial recovery plan is anticipated to be approved on October 26, 2010.

**Note 13 - Information Related to Periods Beyond the Forecast Period**

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan assumes the continued operation of the School District with slight decreases in revenues. The plan also assumes increases in salaries and benefits for fiscal years 2011 through 2015. The operating deficit increases to \$36,805,000 for fiscal year 2015. An updated five financial plan is required to be filed with the Ohio Department of Education by the end of May 2011 and will cover fiscal years 2011 through 2015.

The information presented in this note is less reliable than the information presented in the financial forecast, and accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



**Mary Taylor, CPA**  
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  
NOVEMBER 9, 2010**