



Dave Yost • Auditor of State

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

**Financial Forecast
For the Fiscal Years Ending June 30, 2011 through 2012**

Local Government Services Section

**Little Miami Local School District
Warren County**

Financial Forecast

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Dave Yost • Auditor of State

Financial Planning and Supervision Commission
Ohio Department of Education
25 South 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 May 6, 2011. 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, 2012 of \$5,952,000.

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 and 2013 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 and 2012.

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

June 21, 2011

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Dave Yost • 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 and 2012. 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 forecasted statement referred to above is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA), and the underlying assumptions provide a reasonable basis for the management'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 financial forecast has been prepared assuming the Little Miami Local School District will continue as a going concern. The School District has experienced recurring General Fund operating deficits, decreases in the unencumbered fund balance, and has borrowed against future revenue to finance its operations. In addition, the School District was declared in Fiscal Emergency status (see Notes 12 and 13) on July 13, 2010, has obtained a Solvency Assistance Advance in fiscal year 2011, and has requested voter approval for additional General Fund tax levies in the form of both income tax and emergency operating without success. In additions, the Board of Education has not been able to develop a recovery plan that eliminates the General Fund deficit.

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The statement revenues, expenditures, and changes in fund balance of the general fund for the fiscal years ended June 30, 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. We have not audited or reviewed this information and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial information and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial information. Our responsibility is to conduct the compilation in accordance with Statements on Standards for AICPA. The objective of a compilation is to assist management in presenting financial information without undertaking to obtain or provide any assurance that no material modifications should be made to the financial statements. 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.



DAVE YOST
Auditor of State

May 6, 2011

Little Miami Local School District
Warren County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 Through 2010 Actual;
For the Fiscal Year Ending June 30, 2011 Through 2012 Forecasted
General Fund

	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Forecasted	Fiscal Year 2012 Forecasted
Revenues				
General Property Tax	\$14,384,000	\$14,621,000	\$14,957,000	\$15,149,000
Tangible Personal Property Tax	233,000	43,000	21,000	0
Unrestricted Grants-in-Aid	10,442,000	9,616,000	9,414,000	9,069,000
Restricted Grants-in-Aid	150,000	49,000	52,000	53,000
Restricted Federal Grants-in-Aid	0	595,000	1,007,000	75,000
Property Tax Allocation	2,286,000	2,502,000	2,604,000	2,259,000
All Other Revenues	1,367,000	1,148,000	818,000	818,000
<i>Total Revenues</i>	<u>28,862,000</u>	<u>28,574,000</u>	<u>28,873,000</u>	<u>27,423,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	1,000,000	2,000,000	0
Solvency Assistance Advance	0	0	5,071,000	0
Advances In	146,000	256,000	0	200,000
Transfers In	3,000	0	0	0
<i>Total Other Financing Sources</i>	<u>149,000</u>	<u>1,256,000</u>	<u>7,071,000</u>	<u>200,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>29,011,000</u>	<u>29,830,000</u>	<u>35,944,000</u>	<u>27,623,000</u>
Expenditures				
Personal Services	18,329,000	16,700,000	16,278,000	16,685,000
Employees' Retirement/Insurance Benefits	6,627,000	6,811,000	6,984,000	7,231,000
Purchased Services	3,553,000	4,759,000	4,761,000	5,187,000
Supplies and Materials	947,000	937,000	840,000	866,000
Capital Outlay	229,000	22,000	459,000	425,000
Debt Service:				
Principal - Solvency Assistance Advance	0	0	0	2,536,000
Principal - HB 264 Loan	0	0	0	362,000
Principal - Notes	0	1,000,000	2,000,000	0
Principal - COPS	0	0	1,950,000	0
Interest	0	3,000	3,000	0
Other Objects	493,000	472,000	442,000	450,000
<i>Total Expenditures</i>	<u>30,178,000</u>	<u>30,704,000</u>	<u>33,717,000</u>	<u>33,742,000</u>
Other Financing Uses				
Transfers Out	110,000	68,000	0	0
Advances Out	69,000	188,000	0	200,000
All Other Financing Uses	4,000	54,000	0	0
<i>Total Other Financing Uses</i>	<u>183,000</u>	<u>310,000</u>	<u>0</u>	<u>200,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>30,361,000</u>	<u>31,014,000</u>	<u>33,717,000</u>	<u>33,942,000</u>
<i>Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses</i>	(1,350,000)	(1,184,000)	2,227,000	(6,319,000)
Cash Balance (Deficit) July 1	974,000	(376,000)	(1,560,000)	667,000
Cash Balance (Deficit) June 30	<u>(376,000)</u>	<u>(1,560,000)</u>	<u>667,000</u>	<u>(5,652,000)</u>
Encumbrances and Reserves of Fund Balance:				
Actual/Estimated Encumbrances June 30	404,000	337,000	725,000	300,000
Reserves for Textbooks	45,000	490,000	282,000	0
Total Encumbrances and Reserves of Fund Balance	<u>449,000</u>	<u>827,000</u>	<u>1,007,000</u>	<u>300,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$825,000)</u>	<u>(\$2,387,000)</u>	<u>(\$340,000)</u>	<u>(\$5,952,000)</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 Years Ending June 30, 2011 Through 2012

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 and 220 certificated personnel who provide services to 4,008 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 May 6, 2011, 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's 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 Years Ending June 30, 2011 Through 2012

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 and report the proceeds of specific ongoing revenue sources (other than for major capital projects) that are legally restricted or committed to expenditure for operation of a specific program.

Debt Service Fund - Debt service funds account for and report financial resources that are restricted, committed, or assigned to the payment of general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital assets, 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.

Little Miami Local School District
Warren County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2011 Through 2012

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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

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

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding 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 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

Little Miami Local School District
 Warren County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2011 Through 2012

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 2011 (the collection year) for real and public utility property taxes represents collections of 2010 taxes (the tax year). Property tax payments received during calendar year 2011 for tangible personal property (other than public utility property) are for delinquent 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.

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 years 2012 and 2013 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal years 2011 through 2012.

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
Total Tax Rate		<u>\$33.34</u>

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

Little Miami Local School District
Warren County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2011 Through 2012

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 \$22.15 per \$1,000 of assessed valuation for collection year 2011, and the effective commercial and industrial real property tax rate is \$20.66 per \$1,000 of assessed valuation for collection year 2011.

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 School District anticipates an increase of \$336,000 from fiscal year 2010 to fiscal year 2011 and \$192,000 from fiscal year 2011 to fiscal year 2012. The School District's valuation increased 1.4 percent for collection year 2011 due to new construction. In addition, the effective tax rates increased slightly from \$22.14 per \$1,000 of assessed valuation in collection year 2010 to \$22.15 per \$1,000 of assessed valuation in collection year 2011 for residential and agricultural real property and from \$20.33 per \$1,000 of assessed valuation in collection year 2010 to \$20.66 per \$1,000 of assessed valuation in collection year 2011 for commercial and industrial property. Fiscal year 2012 anticipates an increase from new construction as well.

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 calendar year 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 provided to address certain policy issues or to 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 times the School District's taxable property valuation. The per pupil foundation level was set by State Legislature. Beginning in fiscal year

Little Miami Local School District
 Warren County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2011 Through 2012

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.

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

<u>Fiscal Year</u>	<u>Per Pupil Foundation Level</u>	<u>Building Blocks</u>	<u>Total</u>
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 of property taxes fiscal year 2010 and 2011, and 21 mills for fiscal years 2012.

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 98 percent of the prior fiscal year’s State Foundation aid for the current fiscal year. For fiscal year 2011, the Little Miami Local School District estimates \$5,493,000 in adequacy funding and \$3,921,000 in guarantee funding.

In fiscal year 2011, approximately seven percent 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.

The State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2011 will be set as part of the State’s biennial budget for fiscal years 2012 and 2013. Due to the economic conditions within the State and the anticipated short fall in tax revenues in the next bi-annual budget, the level at which the State will fund schools is uncertain. The School District has assumed a 3.66 percent decrease in unrestricted grants-in-aid based on the economic conditions within the State and the anticipated short fall in State tax revenues. If the State decreases funding for schools in fiscal year 2012, the decrease will have a material effect on this forecast. A one percent decrease beyond the amount anticipated by the School District would decrease unrestricted grants-in-aid by an additional \$91,000 for fiscal year 2012.

Little Miami Local School District
Warren County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2011 Through 2012

C. - Restricted Grants-in-Aid

In past fiscal 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. For fiscal year 2012, the School District anticipates \$2,000 in career tech monies and \$51,000 in catastrophic aid for special education students.

D. - Restricted Federal Grants-in-Aid

Restricted Federal grants-in-aid consist of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education 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 \$618,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries. SFSF has not been reauthorized by the Federal government; therefore, SFSF is not included in the forecast beyond fiscal year 2011.

In 2010, Congress passed, and the President has signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. The Little Miami Local School District, based on estimates provided by the Department of Education, anticipates \$389,000 and \$75,000 in fiscal years 2011 and 2012, respectively. These funds have limited restrictions on their use. The School District has chosen to use these funds in fiscal years 2011 and 2012 for salaries and benefits for teachers.

E. - Property Tax Allocation

State law grants tax relief in the form of a 10 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.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the School District was fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions. Beginning in fiscal year 2013, the reimbursements are expected to be 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. As a result of proposed legislation, this reimbursement is forecasted to be zero for fiscal year 2012.

Little Miami Local School District
Warren County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2011 Through 2012

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecasted Fiscal Year 2011	Forecasted Fiscal Year 2012
Homestead and Rollback	\$2,067,000	\$2,158,000	\$2,238,000	\$2,259,000
Tangible Personal				
Property Exemption	6,000	0	0	0
Tangible Personal Property				
Loss Reimbursement	213,000	344,000	366,000	0
Totals	<u>\$2,286,000</u>	<u>\$2,502,000</u>	<u>\$2,604,000</u>	<u>\$2,259,000</u>

F. - All Other Revenues

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

Tuition includes preschool, summer school and special education from state foundation, which is expected to remain consistent into fiscal year 2012.

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 through fiscal year 2012 due to steady interest rates and low cash balances.

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 years 2011 and 2012 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. Fiscal years 2011 and 2012 are forecasted to be consistent with fiscal year 2010.

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 years 2011 and 2012.

Other miscellaneous revenues included a one-time receipt of excess funds from the Warren County Auditor during fiscal year 2010 of approximately \$288,000. 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:

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Revenue Sources	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Forecast Fiscal Year 2012
Tuition	\$53,000	\$299,000	\$299,000	\$299,000
Interest on Investments	906,000	27,000	27,000	27,000
Rentals	22,000	12,000	12,000	12,000
Tax Increment Financing Revenues	247,000	101,000	101,000	101,000
Extracurricular Fees	76,000	319,000	319,000	319,000
Other Receipts	62,000	348,000	60,000	60,000
Refund of Prior Year Expenditures	1,000	25,000	0	0
Proceeds from the Sale of Assets	0	17,000	0	0
Totals	<u>\$1,367,000</u>	<u>\$1,148,000</u>	<u>\$818,000</u>	<u>\$818,000</u>

G. - Other Financing Sources

Proceeds from the Sale of Notes – The School District issued \$1,000,000 in tax anticipation notes during fiscal year 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. Tax anticipation notes are not anticipated to be issued in fiscal year 2012.

Solvency Assistance Advance – In fiscal year 2011, the School District received a Solvency Assistance Advance in the amount of \$5,071,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advance will be repaid over two years from the State foundation revenues.

Advances In – The School District does not anticipate receiving any advances during fiscal year 2011 because no advances to other funds were made. During fiscal year 2012, the School District anticipates receiving advance in of \$200,000. 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.

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.

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	2009	2010	2011	2012
General Fund:				
Certified	248	214	207	195
Classified	133	118	108	106
Total General Fund	381	332	315	301
Other Funds:				
Certified	10	13	13	11
Classified	26	26	30	30
Total Other Funds	36	39	43	41
Totals	417	371	358	342

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covers the period beginning July 1, 2010 through June 30, 2011, and allows for step increases ranging from two to four percent in fiscal year 2011. The forecasted salaries for fiscal year 2012 include step increases, but no base salary increases. The \$259,000 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 and the replacement of less experienced teachers. In fiscal year 2012, the School District plans to eliminate 14 certified staff positions paid from the general fund, however, two certified personnel will be moved from grant funds to the general fund in fiscal year 2012. There is an increase to the fiscal year 2012 certified salaries of \$320,000 due to an extra pay period within the fiscal year.

Classified salaries are based on a negotiated contract which includes step increases. The contract for classified staff covers the period beginning July 1, 2010 through June 30, 2011. The contract allows for step increases as well as shift differential for second and third shift employees. The forecasted salaries for fiscal year 2012 include step increases, but no base salary increases. The \$171,000 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. In fiscal year 2012, the School District plans to eliminate two classified staff positions in the general fund. However, the \$18,000 increase in classified salaries in fiscal year 2012 is due to an extra pay period within the fiscal year.

Substitute salaries are expected to increase in fiscal year 2011 by \$17,000. This increase is based upon actual expenditures through March of 2011. For fiscal year 2012, substitute salaries are expected to increase by \$38,000. This increase is based on three year historical average, which included the fiscal year 2011 estimated substitute salaries.

Supplementary contracts are expected to decrease by \$30,000 during fiscal year 2011. This decrease is due to the elimination of extended time contracts and fewer extracurricular activities. The extracurricular activities decrease is due to the lack of participation by the students from the pay to play fees. For fiscal year 2012, supplemental contracts are expected to increase by \$15,000. The School District will increase extended time through supplemental contracts to employees to move all the furniture and classroom supplies from the closing of Maineville Elementary instead of contracting with an outside company.

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 66 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

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of seven teachers took advantage of the plan, four of which elected to retire during fiscal year 2010. For fiscal year 2011, severance payments are expected to increase by \$17,000, due to the retirement of several employees. For fiscal year 2012, severance payments are expected to increase by \$15,000. This increase is due to several experienced employees retiring and receiving the maximum severance payment.

Other salaries and wages include over time and board compensation.

Presented below is a comparison of the past two fiscal years and the two forecast periods.

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Forecast Fiscal Year 2012
Certified Salaries	\$13,525,000	\$12,870,000	\$12,611,000	\$12,931,000
Classified Salaries	3,569,000	3,039,000	2,868,000	2,886,000
Substitute Salaries	578,000	426,000	443,000	481,000
Supplemental Contracts	492,000	294,000	264,000	279,000
Severance Pay	149,000	60,000	77,000	92,000
Other Salaries and Wages	16,000	11,000	15,000	16,000
Totals	<u>\$18,329,000</u>	<u>\$16,700,000</u>	<u>\$16,278,000</u>	<u>\$16,685,000</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 fiscal year. The total arrearage amount is \$386,000.

Starting January 1, 2007, the School District provided its employees the Ohio High Deductible Health Plan (HDHP), which is administered by Anthem for calendar year 2009 and Humana for calendar years 2010 and 2011. For calendar year 2012, the School District is expecting a 13.5 percent increase on premiums according to the third party consultant. 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:

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Health Care Plan	Effective January 1, 2009		Effective January 1, 2010		Effective January 1, 2011		Effective January 1, 2012	
	Certified	Classified	Certified	Classified	Certified	Classified	Certified	Classified
Humana								
Single	\$271.04	\$315.48	\$403.85	\$470.07	\$388.22	\$451.88	\$440.63	\$512.88
Family	669.20	748.97	997.11	1,115.97	958.52	1,072.78	1,087.92	1,217.61

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. For calendar year 2012, the School District is planning on no vision premium increases.

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. For calendar year 2012, the School District is not expecting a rate increase. 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
Dental Care Plus						
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. The School District pays 100 percent of the premium amount for all employees. The School District is not expecting a rate increase for life insurance for calendar year 2012.

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 estimated premium for calendar year 2011, due in May 2012, is expected to decrease from \$1.03 per hundred dollars of payroll to .68 per hundred dollars of payroll. The estimated rate was provided by the administrator for the group plan that the School District participates in.

The unemployment benefits have a significant decrease for fiscal year 2011, due to the numerous laid off employees finding employment with other school districts. For fiscal year 2012, the School District is expecting a significant increase due to the reduction in force employees filing a claim.

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. For fiscal year 2012, the severance will not change from fiscal year 2011.

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Presented below is a comparison of the past two fiscal years and the two forecast periods:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Forecast Fiscal Year 2012
Employer's Retirement	\$2,630,000	\$2,360,000	\$2,494,000	\$2,681,000
Medical, Dental, Vision and Life	3,561,000	3,692,000	3,839,000	3,826,000
Workers' Compensation	134,000	180,000	167,000	113,000
Medicare	235,000	219,000	236,000	243,000
Unemployment	7,000	184,000	17,000	137,000
Severance Pay	0	116,000	171,000	171,000
Tuition Reimbursement	60,000	60,000	60,000	60,000
Totals	<u>\$6,627,000</u>	<u>\$6,811,000</u>	<u>\$6,984,000</u>	<u>\$7,231,000</u>

C. - Purchased Services

Presented below are the purchased services expenditures for the past two fiscal years and the two forecast periods:

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Professional and Technical Services	\$1,120,000	\$1,481,000	\$1,350,000	\$1,396,000
Property Services	281,000	356,000	367,000	378,000
Travel and Meeting Expenses	27,000	11,000	11,000	0
Communication Cost	114,000	114,000	118,000	121,000
Utility Services	917,000	1,085,000	717,000	709,000
Trade Services	13,000	5,000	6,000	6,000
Tuition Payments	944,000	1,622,000	2,106,000	2,487,000
Pupil Transportation	22,000	16,000	16,000	17,000
Other Purchased Services	115,000	69,000	70,000	73,000
Totals	<u>\$3,553,000</u>	<u>\$4,759,000</u>	<u>\$4,761,000</u>	<u>\$5,187,000</u>

Professional and technical services in fiscal year 2011 are forecasted to decrease mainly due to a decline in services provided by the Warren County Educational Service Center. These services include special education, alternative school, and pre-school. The increase in fiscal year 2012 is due to the School District contracting with the ESC for two teachers. Utility services decreased in fiscal year 2011 due to the installation of energy efficient windows, opening new energy efficient schools, and closing outdated buildings. In fiscal year 2012, utility services decrease due to the closing of Maineville Elementary. Tuition payments in fiscal year 2011 and 2012 increase due to an additional 84 students and 60 students, respectively, attending other school districts under open enrollment and community schools. The School District has seen a rise in open enrollment due to status of fiscal emergency and a reduction of high school education programs to state minimums.

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D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past two fiscal years and the two forecast periods:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Forecast Fiscal Year 2012
General Supplies, Library Books, Textbooks, and Periodicals	\$415,000	\$353,000	\$278,000	\$286,000
Operations, Maintenance and Repair	532,000	584,000	562,000	580,000
Totals	<u>\$947,000</u>	<u>\$937,000</u>	<u>\$840,000</u>	<u>\$866,000</u>

Supplies and materials are forecasted to decrease in fiscal year 2011 and 2012 due to not only the School District reducing its bus routes but from reduction in general supplies and textbooks to minimum needs. Bus fuel costs have varied greatly over the last couple of fiscal years but are anticipated to increase overall for fiscal years 2011 and 2012.

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general services are recorded as expenditures. The School District is forecasting \$459,000 and \$425,000 for fiscal years 2011 and 2012 in expenditures. These expenditures are for the completion of the House Bill 264 energy conservation project that started in fiscal year 2008. 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 a Solvency Assistance Advance, House Bill 264 energy conservation loan, tax anticipation notes, and a Certificates of Participations (COPS).

The School District received a Solvency Assistance Advance from the State in fiscal year 2011 in the amount of \$5,071,000. The advance will be repaid during fiscal years 2012 and 2013 by deducting equal semi-monthly amounts from the State Foundation settlement.

In fiscal year 2008, the School District received \$3,890,000 in proceeds for the House Bill 264 energy conservation loan. The work on energy conservation is to be completed in fiscal year 2012 without using all of the proceeds. The \$362,000 remaining on the project in fiscal year 2012 will be used to pay against the principal of the loan. In future fiscal years, the House Bill 264 energy conservation loan principal and interest will be paid from the Permanent Improvement Fund.

The principal payment in fiscal year 2010 was the \$1,000,000 tax anticipation note issued in fiscal year 2010. The principal payment in fiscal year 2011 was the \$2,000,000 tax anticipation note issued in fiscal year 2011.

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

G. - Other Objects

Other objects expenditures consist of dues and fees, insurance and awards. Other objects expenditures are forecasted in the amount of \$442,000 for fiscal year 2011 and \$450,000 for fiscal year 2012.

H. - Operating Advances Out

The general fund is anticipating advances out in fiscal year 2012 in the amount of \$200,000 due to the timing of the receipt of grants. The general fund provides temporary funding of the programs until the grant dollars are received.

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 \$725,000 and \$300,000 for June 30, 2011 and 2012, respectively. The large increase for fiscal year 2011 is due to the last contract under the HB 264 project being completed in the summer of 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. Effective July 1, 2011, the textbook set aside no longer exists and has been deleted from law.

B. - Capital and Maintenance Set-Aside

Under Section 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set-aside or make no deposit into the capital set-aside. The Board of Education by resolution has waived the set-aside requirement for fiscal year 2011, therefore, no reserve amount is forecasted for capital acquisition and improvements. The Board of Education is anticipated to waive the set aside for fiscal year 2012.

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Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. In fiscal year 2012, the School District plans to place an emergency operating levy on the November ballot. The type of levy, rate, term, and election results of past levy attempts are as follows:

Date	Type	Amount	Term	Results
May 2002	Emergency Operating	6.9 mills	5 Years	Failed
November 2002	Emergency Operating	6.9 mills	5 Years	Passed
November 2004	Bond	4.45 mills	5 Years	Failed
February 2005	Bond	4.45 mills	5 Years	Failed
November 2005	Bond	6.15 mills	5 Years	Failed
May 2006	Bond	6.15 mills	5 Years	Passed
November 2008	Income Tax	1%	5 Years	Failed
May 2009	Emergency Operating	9.95 mills	3 Years	Failed
November 2009	Emergency Operating	7.95 mills	5 Years	Failed
February 2010	Emergency Operating	9.95 mills	3 Years	Failed
May 2010	Emergency Operating	6.48 mills	5 years	Failed
May 2010	Income Tax	1%	5 years	Failed
November 2010	Emergency Operating	10.95 mills	5 Years	Failed
May 2011	Emergency Operating	13.95 mills	5 Years	Failed

Note 11 - Pending Litigation

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

Note 12 - 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. The initial recovery plan was adopted on October 26, 2010, and was revised on April 26, 2011. The recovery plan does not eliminate the anticipated deficits.

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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 2012 through 2015. The operating deficit increases to \$21,149,000 for fiscal year 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.

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Dave Yost • Auditor of State

LITTLE MIAMI LOCAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 23, 2011**