

**JEFFERSON TOWNSHIP LOCAL
SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2003*

EDDIE W. JACOB, INTERIM TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Jefferson Township Local School District
Dayton, Ohio

We have reviewed the Independent Auditor's Report of the Jefferson Township Local School District, Montgomery County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jefferson Township Local School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 23, 2004

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**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor’s Report

Board of Education
Jefferson Township Local School District
2625 S. Union Road
Dayton, OH 45418

We have audited the accompanying general purpose financial statements of the Jefferson Township Local School District, Montgomery County, (the “District”) as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District’s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Township Local School District, Montgomery County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2003 on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Trimble, Julian & Grube, Inc.
December 22, 2003

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ -	\$ 63,909	\$ -	\$ 102,846
Cash with escrow agent	-	-	-	4,392
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	3,317,334	-	-	106,171
Accounts	-	375	-	-
Advances to other funds	35,952	-	-	-
Due from other governments	-	291,150	-	350,000
Due from other funds	325,433	521,628	-	102,432
Materials and supplies inventory	-	-	-	-
Prepayments	12,420	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	74,155	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 3,765,294	\$ 877,062	\$ -	\$ 665,841
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 24,695	\$ 1,262	\$ -	\$ -
Accrued wages and benefits	411,940	28,407	-	-
Compensated absences payable	18,736	-	-	-
Pension obligation payable	108,818	7,954	-	-
Advances from other funds	-	35,952	-	-
Deferred revenue	3,119,174	-	-	449,842
Due to other governments	49,334	4,085	-	-
Due to students	-	-	-	-
Due to other funds	610,928	359,999	27,700	74,732
Obligation under lease-purchase agreement	-	-	-	-
Energy conservation notes payable	-	-	-	-
Total liabilities	4,343,625	437,659	27,700	524,574
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	53,107	10,112	-	3,104
Reserved for prepayments	12,420	-	-	-
Reserved for tax revenue unavailable for appropriation	198,160	-	-	6,329
Reserved for advances	35,952	-	-	-
Reserved for BWC refunds	25,107	-	-	-
Reserved for school bus purchases	49,048	-	-	-
Unreserved-undesignated	(952,125)	429,291	(27,700)	131,834
Total equity and other credits	(578,331)	439,403	(27,700)	141,267
Total liabilities, equity and other credits	\$ 3,765,294	\$ 877,062	\$ -	\$ 665,841

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 3,058	\$ 32,957	\$ -	\$ -	\$ 202,770
-	-	-	-	4,392
-	-	-	-	3,423,505
-	-	-	-	375
-	-	-	-	35,952
20,014	-	-	-	661,164
123,866	-	-	-	1,073,359
6,083	-	-	-	6,083
-	-	-	-	12,420
-	-	-	-	74,155
36,718	-	7,920,266	-	7,956,984
-	-	-	1,065,999	1,065,999
<u>\$ 189,739</u>	<u>\$ 32,957</u>	<u>\$ 7,920,266</u>	<u>\$ 1,065,999</u>	<u>\$ 14,517,158</u>
\$ -	\$ -	\$ -	\$ -	\$ 25,957
26,994	-	-	-	467,341
16,454	-	-	214,226	249,416
15,912	-	-	77,773	210,457
-	-	-	-	35,952
-	-	-	-	3,569,016
1,221	-	-	-	54,640
-	32,773	-	-	32,773
-	-	-	-	1,073,359
-	-	-	699,000	699,000
-	-	-	75,000	75,000
<u>60,581</u>	<u>32,773</u>	<u>-</u>	<u>1,065,999</u>	<u>6,492,911</u>
-	-	7,920,266	-	7,920,266
129,158	-	-	-	129,158
-	-	-	-	66,323
-	-	-	-	12,420
-	-	-	-	204,489
-	-	-	-	35,952
-	-	-	-	25,107
-	-	-	-	49,048
-	184	-	-	(418,516)
<u>129,158</u>	<u>184</u>	<u>7,920,266</u>	<u>-</u>	<u>8,024,247</u>
<u>\$ 189,739</u>	<u>\$ 32,957</u>	<u>\$ 7,920,266</u>	<u>\$ 1,065,999</u>	<u>\$ 14,517,158</u>

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JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,773,135	\$ -	\$ -	\$ 89,378	\$ -	\$ 2,862,513
Tuition	652,634	-	-	-	-	652,634
Earnings on investments	9,088	24	-	-	-	9,112
Extracurricular	-	58,092	-	-	-	58,092
Other local revenues	106,287	10,427	-	-	241	116,955
Other revenue	-	1,250	-	-	-	1,250
Intergovernmental - State	3,559,153	435,744	-	11,466	-	4,006,363
Intergovernmental - Federal	-	785,343	-	150,000	-	935,343
Total revenues	7,100,297	1,290,880	-	250,844	241	8,642,262
Expenditures:						
Current:						
Instruction:						
Regular	2,636,120	369,430	-	5,268	-	3,010,818
Special	373,853	535,958	-	-	-	909,811
Vocational	68,693	-	-	-	-	68,693
Other	500,403	34,103	-	-	-	534,506
Support services:						
Pupil	258,356	14,001	-	-	-	272,357
Instructional staff	367,956	69,647	-	-	-	437,603
Board of Education	35,368	-	-	-	-	35,368
Administration	881,826	18,081	-	-	-	899,907
Fiscal	543,536	2,569	-	763	237	547,105
Operations and maintenance	893,322	-	-	42,711	-	936,033
Pupil transportation	618,002	-	-	20,638	-	638,640
Central	99,103	63,494	-	-	-	162,597
Community services	5,945	19,545	-	-	-	25,490
Extracurricular activities	181,049	74,951	-	-	-	256,000
Facilities acquisition and construction	-	-	-	638,061	-	638,061
Miscellaneous	14,194	-	-	-	-	14,194
Debt service:						
Principal retirement	9,000	-	25,000	-	-	34,000
Interest and fiscal charges	20,957	-	2,700	20,690	-	44,347
Total expenditures	7,507,683	1,201,779	27,700	728,131	237	9,465,530
Excess (deficiency) of revenues over (under) expenditures	(407,386)	89,101	(27,700)	(477,287)	4	(823,268)
Other financing sources (uses):						
Proceeds from sale of fixed assets	21,535	-	-	-	-	21,535
Operating transfers in	-	15,000	-	-	-	15,000
Operating transfers out	(33,865)	-	-	-	-	(33,865)
Total other financing sources (uses)	(12,330)	15,000	-	-	-	2,670
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(419,716)	104,101	(27,700)	(477,287)	4	(820,598)
Fund balances (deficits), July 1	(158,615)	335,302	-	618,554	180	795,421
Fund balances (deficits), June 30	\$ (578,331)	\$ 439,403	\$ (27,700)	\$ 141,267	\$ 184	\$ (25,177)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ -	\$ 2,776,530	\$ 2,776,530	\$ -	\$ -	\$ -
Tuition	-	652,634	652,634	-	-	-
Earnings on investments	-	9,088	9,088	-	24	24
Extracurricular	-	-	-	-	57,717	57,717
Other local revenues	-	1,887	1,887	-	10,427	10,427
Other revenue	-	-	-	-	1,250	1,250
Intergovernmental - State	-	3,407,891	3,407,891	-	431,678	431,678
Intergovernmental - Federal	-	3,716	3,716	-	659,063	659,063
Total revenues	-	6,851,746	6,851,746	-	1,160,159	1,160,159
Expenditures:						
Current:						
Instruction:						
Regular	2,393,054	2,606,288	(213,234)	278,294	166,137	112,157
Special	563,472	613,681	(50,209)	438,529	261,794	176,735
Vocational	62,480	68,047	(5,567)	-	-	-
Other	532,784	580,258	(47,474)	65,128	38,880	26,248
Support services:						
Pupil	288,576	314,290	(25,714)	26,111	15,588	10,523
Instructional staff	337,751	367,847	(30,096)	88,063	52,572	35,491
Board of Education	31,585	34,399	(2,814)	-	-	-
Administration	828,903	902,763	(73,860)	30,947	18,475	12,472
Fiscal	499,235	543,720	(44,485)	4,302	2,568	1,734
Operations and maintenance	824,467	897,932	(73,465)	-	-	-
Pupil transportation	573,584	624,694	(51,110)	-	-	-
Central	89,419	97,387	(7,968)	114,523	68,368	46,155
Community services	5,459	5,945	(486)	33,443	19,965	13,478
Extracurricular activities	173,190	188,622	(15,432)	124,756	74,477	50,279
Facilities acquisition and construction	-	-	-	-	-	-
Intergovernmental passthrough	13,033	14,194	(1,161)	-	-	-
Debt service:						
Principal retirement	8,264	9,000	(736)	-	-	-
Interest and fiscal charges	19,242	20,957	(1,715)	-	-	-
Total expenditures	7,244,498	7,890,024	(645,526)	1,204,096	718,824	485,272
Excess (deficiency) of revenues over (under) expenditures	(7,244,498)	(1,038,278)	6,206,220	(1,204,096)	441,335	1,645,431
Other financing sources (uses):						
Advances in	-	77,713	77,713	-	-	-
Advances out	-	-	-	-	(77,713)	(77,713)
Operating transfers in	-	-	-	-	15,000	15,000
Operating transfers out	(31,094)	(33,865)	(2,771)	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	21,535	21,535	-	-	-
Refund of prior year's receipts	(62,298)	(67,849)	(5,551)	(323,903)	(161,716)	162,187
Refund of prior year expenditures	-	254,423	254,423	-	-	-
Total other financing sources (uses)	(93,392)	251,957	345,349	(323,903)	(224,429)	99,474
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(7,337,890)	(786,321)	6,551,569	(1,527,999)	216,906	1,744,905
Fund balances, July 1	79,247	79,247	-	303,153	303,153	-
Prior year encumbrances appropriated	91,712	91,712	-	20,098	20,098	-
Fund balances, June 30	\$ (7,166,931)	\$ (615,362)	\$ 6,551,569	\$ (1,204,748)	\$ 540,157	\$ 1,744,905

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ 89,607	\$ 89,607	\$ -	\$ 2,866,137	\$ 2,866,137
-	-	-	-	-	-	-	652,634	652,634
-	-	-	-	-	-	-	9,112	9,112
-	-	-	-	-	-	-	57,717	57,717
-	-	-	-	-	-	-	12,314	12,314
-	-	-	-	-	-	-	1,250	1,250
-	-	-	-	11,466	11,466	-	3,851,035	3,851,035
-	-	-	-	150,000	150,000	-	812,779	812,779
-	-	-	-	251,073	251,073	-	8,262,978	8,262,978
-	-	-	5,720	5,268	452	2,677,068	2,777,693	(100,625)
-	-	-	-	-	-	1,002,001	875,475	126,526
-	-	-	-	-	-	62,480	68,047	(5,567)
-	-	-	-	-	-	597,912	619,138	(21,226)
-	-	-	3,370	3,104	266	318,057	332,982	(14,925)
-	-	-	-	-	-	425,814	420,419	5,395
-	-	-	-	-	-	31,585	34,399	(2,814)
-	-	-	-	-	-	859,850	921,238	(61,388)
-	-	-	828	763	65	504,365	547,051	(42,686)
-	-	-	48,271	44,456	3,815	872,738	942,388	(69,650)
-	-	-	22,409	20,638	1,771	595,993	645,332	(49,339)
-	-	-	-	-	-	203,942	165,755	38,187
-	-	-	-	-	-	38,902	25,910	12,992
-	-	-	-	-	-	297,946	263,099	34,847
-	-	-	761,461	701,285	60,176	761,461	701,285	60,176
-	-	-	-	-	-	13,033	14,194	(1,161)
25,000	25,000	-	-	-	-	33,264	34,000	(736)
2,700	2,700	-	22,465	20,690	1,775	44,407	44,347	60
27,700	27,700	-	864,524	796,204	68,320	9,340,818	9,432,752	(91,934)
(27,700)	(27,700)	-	(864,524)	(545,131)	319,393	(9,340,818)	(1,169,774)	8,171,044
-	-	-	-	-	-	-	77,713	77,713
-	-	-	-	-	-	-	(77,713)	(77,713)
-	-	-	-	-	-	-	15,000	15,000
-	-	-	-	-	-	(31,094)	(33,865)	(2,771)
-	-	-	-	609,507	609,507	-	609,507	609,507
-	-	-	-	-	-	-	21,535	21,535
-	-	-	-	-	-	(386,201)	(229,565)	156,636
-	-	-	-	-	-	-	254,423	254,423
-	-	-	-	609,507	609,507	(417,295)	637,035	1,054,330
(27,700)	(27,700)	-	(864,524)	64,376	928,900	(9,758,113)	(532,739)	9,225,374
-	-	-	12,416	12,416	-	394,816	394,816	-
-	-	-	50,650	50,650	-	162,460	162,460	-
\$ (27,700)	\$ (27,700)	\$ -	\$ (801,458)	\$ 127,442	\$ 928,900	\$ (9,200,837)	\$ 24,537	\$ 9,225,374

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$ 1,174
Sales/charges for services	<u>66,338</u>
Total operating revenues	<u>67,512</u>
Operating expenses:	
Personal services	269,246
Contract services	16,643
Materials and supplies	193,122
Depreciation	<u>4,867</u>
Total operating expenses	<u>483,878</u>
Operating loss	<u>(416,366)</u>
Nonoperating revenues:	
Grants and subsidies	448,828
Federal commodities	38,688
Miscellaneous nonoperating revenue.	1,971
Interest revenue.	<u>736</u>
Total nonoperating revenues	<u>490,223</u>
Net income before transfers	73,857
Transfers in	<u>18,865</u>
Net income.	92,722
Retained earnings, July 1	<u>36,436</u>
Retained earnings, June 30	<u>\$ 129,158</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 1,174
Cash received from sales/service charges	66,338
Cash payments for personal services	(273,746)
Cash payments for contract services	(16,643)
Cash payments for materials and supplies.	<u>(163,524)</u>
Net cash used in operating activities.	<u>(386,401)</u>
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	428,814
Cash received from miscellaneous nonoperating revenue	1,971
Cash payments for interfund loans	(123,866)
Cash received from transfers	<u>18,865</u>
Net cash provided by noncapital financing activities	<u>325,784</u>
Cash flows from investing activities:	
Interest received	<u>736</u>
Net cash provided by investing activities	<u>736</u>
Net increase in cash and cash equivalents.	(59,881)
Cash and cash equivalents at beginning of year	<u>62,939</u>
Cash and cash equivalents at end of year	<u>\$ 3,058</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (416,366)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,867
Federal donated commodities	38,688
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(1,007)
Decrease in accounts payable	(5,523)
Increase in accrued wages and benefits.	1,963
Increase in compensated absences payable.	498
Increase in due to other governments	302
Decrease in pension obligation payable	(7,263)
Decrease in deferred revenue.	<u>(2,560)</u>
Net cash used in operating activities.	<u>\$ (386,401)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jefferson Township Local School District (the “District”) is located in Montgomery County and encompasses all of Jefferson Township. The District serves an area of approximately 35 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. 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 District ranks as the 541st largest by enrollment among the 740 public and community school districts in the state, and 16th in Montgomery County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 54 non-certified and 74 certified employees to provide services to 751 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below:

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable.

The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technology Center

The school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Miami Valley Career Technology Center accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Metropolitan Dayton Educational Cooperative (MDECA)

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Darke, Greene, Miami and Montgomery Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. Financial information can be obtained from Jerry C. Woodyard, Executive Director of MDECA at 201 Riverside Drive, Dayton, Ohio 45405.

The District also participates in an insurance group purchasing pool described in Note 10.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

General Fund - The general fund is the general operating fund of the 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 District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary fund.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2003, but which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary fund type is accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds do not receive property tax revenue.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets

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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. Montgomery County Budget Commission has waived this requirement for fiscal year 2003.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination. Montgomery County Budget Commission has waived this requirement for fiscal year 2003.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement of comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals. The District did not adopt a permanent appropriation measure for the fiscal year ended June 30, 2003 until June 2003, which is in noncompliance with Ohio Revised Code Section 5705.38.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. The District had no appropriation modifications approved by the Board of Education in 2003. The amounts reported in the budgetary statements reflect the amounts set forth in the final appropriation measure approved by the Board of Education for the fiscal year 2003.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds at year-end are disclosed in Note 11. The District incurred expenditures without the Treasurer's prior certification of available funds, contrary to Section 5705.41(D), Ohio Revised Code.

E. Cash and Investments

To improve cash management, cash received by the District other than cash with escrow agent is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement.

Except for nonparticipating investment contracts. Investments are stated at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The "Cash with Escrow Agent" represents funds held by National City Bank in conjunction with the District's lease-purchase agreement described in Note 9.B. These monies are invested in U.S. government money market mutual funds are not part of the cash management pool.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund or the Board has authorized investment earnings to be credited to a specific fund. The Special Revenue fund: Auxiliary Fund has been authorized to receive investment earnings. Interest revenue credited to the general fund during fiscal 2003 totaled \$9,088, which included \$5,500 assigned from other funds of the District.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

Inventories of the proprietary fund are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than one year. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Fund

Furniture and equipment reflected in this fund is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. A 10% salvage value is used for proprietary fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	5 - 20

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from the proprietary fund is recorded as an expense when earned.

J. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Obligation under lease-purchase agreement and long-term notes are reported as a liability of the general long-term obligations account group until due.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, tax revenue unavailable for appropriation, advances, school bus purchases, Bureau of Workers Compensation (BWC) refunds, and prepayments. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had advances to/advances from at June 30, 2003.

An analysis of the District's interfund transactions for fiscal year 2003 is presented in Note 5.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 16 for details.

N. Estimates

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

O. Nicholas Residential Treatment Center

Current state legislation provides funding to Nicholas Residential Treatment Center (the "Center"). These monies are received and distributed on behalf of the Center by the Treasurer of the District, as directed by the Center. The receipt and fiduciary liability of these state monies are reflected in a special revenue fund for financial reporting purposes.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Non-Compliance

- The following funds had expenditures exceeding appropriations in noncompliance with Ohio Revised Code Section 5705.41 (B):

<u>Fund Type</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	General	\$7,337,890	\$7,991,738	\$653,848
Special Revenue	Other Grants	17,892	27,118	9,226
Special Revenue	Auxiliary Services	14,652	16,946	2,294
Special Revenue	Title VI-B	42,056	67,645	25,589
Special Revenue	Title VI	6,764	8,018	1,254
Special Revenue	Drug Free School Grant	6,909	6,942	33
Capital Projects	Buildings	603,868	685,385	81,517
Enterprise	Food Service	460,210	465,385	5,175

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

2. The following funds had total appropriations exceeding the total estimated resources in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
General	General	\$7,166,931
Special Revenue	Public School Support	15,531
Special Revenue	Other Grant	9,155
Special Revenue	District Managed Activity	65,334
Special Revenue	Auxiliary Services	10,171
Special Revenue	Management Information Systems	5,000
Special Revenue	Disadvantaged Pupil Impact Aid	375,910
Special Revenue	Data Communication	10,500
Special Revenue	SchoolNet Professional Development	266
Special Revenue	Ohio Reads	22,500
Special Revenue	Summer Intervention	1,425
Special Revenue	Title VI-B	39,843
Special Revenue	Title I	577,455
Special Revenue	Title VI	2,694
Special Revenue	Drug Free School Grant	1,915
Special Revenue	EHA Preschool Grant	355
Special Revenue	Reducing Class Size	54,229
Special Revenue	Miscellaneous Federal Grants	10,431
Debt Service	Debt Service	27,700
Capital Projects	Permanent Improvement	98,736
Capital Projects	Buildings	602,722
Capital Projects	Interactive Video Distance Learning	8,700
Capital Projects	Emergency School Building Repair	100,000
Enterprise	Food Service	427,999
Enterprise	Uniform School Supplies	1,020
Expendable Trust	Special Trust	241

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

3. Contrary to Ohio Revised Code Section 5705.10, the District had negative cash balances in the following funds at June 30, 2003:

General Fund	\$536,941
<u>Special Revenue Funds</u>	
Other Grant	9,225
Title VI-B	25,341
Debt Service Fund	27,700
<u>Capital Projects Fund</u>	
Building	74,732

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balance</u>
General Fund	\$578,331
<u>Special Revenue Funds</u>	
Other Grants	34,177
District Managed Student Activity	8,984
Auxiliary Services	1,893
Debt Service Fund	27,700
<u>Capital Projects Fund</u>	
Buildings	39,163

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The District Managed Student Activity and Auxiliary Services special revenue funds complied with Ohio state law which does not permit a cash basis deficit at year-end. This deficit fund balance is the result of accruing wage, benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues not recognized at June 30. The general fund; Other Grants, Title VI-B, special revenue funds; debt service fund and the Buildings capital projects fund did not comply with State law which does not allow for a negative cash balance at year-end (See Note 3.A.).

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Escrow Agent: At fiscal year-end, the District had \$4,392 in cash and cash equivalents held by National City Bank in relation to the lease-purchase agreement discussed in Note 9.B. This amount is included on the balance sheet as "Cash with Escrow Agent". These monies are invested in U.S. government money market mutual funds which are unclassified investments under GASB No. 3 as they are not evidenced by securities that exist in physical or book entry form.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$(335,301) and the bank balance was \$76,180. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal deposit insurance.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

	Category <u>3</u>	Fair Value
Repurchase Agreement	\$277,301	\$277,301
Not subject to categorization:		
Investment in STAR Ohio	<u>-</u>	<u>334,925</u>
Total investments	<u>\$277,301</u>	<u>\$612,226</u>

The carrying value equals the fair value at June 30, 2003.

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash, cash equivalents, and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 281,317	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(334,925)	334,925
Repurchase Agreement	(277,301)	277,301
Cash with escrow agent	<u>(4,392)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (335,301)</u>	<u>\$612,226</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 2003:

	Transfers In	Transfers Out
General Fund	\$ -	\$33,865
<u>Special Revenue Fund</u>		
District Managed Activity	15,000	-
<u>Enterprise Fund</u>		
Food Service	<u>18,865</u>	<u>-</u>
Total	<u>\$33,865</u>	<u>\$33,865</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a reconciliation of the District's long-term advances receivable and payable at June 30, 2003:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$35,952	\$ -
<u>Special Revenue Funds</u>		
District Managed Student Activities	-	11,000
Other Grant	-	24,952
Total	<u>\$35,952</u>	<u>\$35,952</u>

C. At June 30, 2003, several funds had negative cash balances. These fund overdrafts of the internal investment pool have been reported as fund liabilities of the respective funds.

	Due from Other Funds	Due to Other Funds
General Fund	\$325,433	\$ 610,928
<u>Special Revenue Funds</u>		
Title VI-B	-	68,268
Disadvantaged Pupil Act	300,569	-
Title I	186,493	212,380
Title VI	-	2,900
EHA Preschool Grant	-	1,973
Reducing Class Size	25,141	55,250
Other Grants	-	9,225
Data Communication	9,425	-
Miscellaneous Federal Grants	-	10,003
Debt Service Fund	-	27,700
<u>Capital Projects Funds</u>		
Permanent Improvement	-	74,732
Building	27,700	-
Emergency Repair	74,732	-
<u>Enterprise Funds</u>		
Food Service	95,022	-
Uniform School Supply	28,844	-
Total	<u>\$1,073,359</u>	<u>\$1,073,359</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue, which would otherwise have been collected.

The assessed value upon which the 2002 taxes were collected was \$79,907,220. Agricultural/residential and public utility/minerals real estate represented 76.22% or \$60,906,810 of this total; commercial & industrial real estate represented 6.93% or \$5,540,670 of this total; public utility tangible represented 7.82% or \$6,247,070 of this total and general tangible property represented 9.03% or \$7,212,670 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$59.90 per \$1,000.00 of assessed valuation for operations, and \$2.00 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled \$198,160 in the general fund and \$6,329 in the permanent improvement capital projects fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of property taxes, accounts (billings for user charged services and student fees), long-term interfund advances, due from other funds, and intergovernmental grants (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs. A summary of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Property Taxes - current and delinquent	\$3,317,334
Advances to other funds	35,952
Due from other funds	325,433
 <u>Special Revenue Funds</u>	
Accounts	375
Due from other governments	291,150
Due from other funds	521,628

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 7 - RECEIVABLES - (Continued)

	<u>Amount</u>
<u>Capital Projects Funds</u>	
Property Taxes - current and delinquent	\$106,171
Due from other governments	350,000
Due from other funds	102,432
 <u>Enterprise Funds</u>	
Due from other governments	20,014
Due from other funds	123,866

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2003</u>
Land/improvements	\$ 297,426	\$ -	\$ -	\$ 297,426
Buildings/improvements	3,858,235	877,239	-	4,735,474
Furniture/equipment	1,994,227	133,530	-	2,127,757
Vehicles	735,171	24,438	-	759,609
Construction in progress	<u>146,554</u>	<u>-</u>	<u>(146,554)</u>	<u>-</u>
Total	<u>\$7,031,613</u>	<u>\$1,035,207</u>	<u>\$(146,554)</u>	<u>\$7,920,266</u>

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 166,071
Less: accumulated depreciation	<u>(129,353)</u>
Net fixed assets	<u>\$ 36,718</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS

A. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues. The following is a description of the notes outstanding as of June 30, 2003:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2002</u>	<u>Retired in 2003</u>	<u>Balance June 30, 2003</u>
H.B. 264 - Energy conservation notes	5.40%	12/01/05	<u>\$100,000</u>	<u>\$(25,000)</u>	<u>\$75,000</u>
Total			<u>\$100,000</u>	<u>\$(25,000)</u>	<u>\$75,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$25,000	\$3,375	\$28,375
2005	25,000	2,025	27,025
2006	<u>25,000</u>	<u>675</u>	<u>25,675</u>
Total	<u>\$75,000</u>	<u>\$6,075</u>	<u>\$81,075</u>

B. In prior years, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for the construction of an administration building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenue of the District. During fiscal 2003, the District made \$41,647 in interest payments on the lease-purchase agreement and \$9,000 in principal payments. Principal and interest payments are recorded as debt service expenditures in the general fund and the Permanent Improvements capital projects fund.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets have been capitalized in the general fixed assets account group in the amount of \$877,239. This amount represents the costs of the construction funded by the lease-purchase agreement that were incurred prior to June 30, 2003.

The following is a summary of the District's future minimum annual payments to termination of the lease-purchase agreement:

<u>Fiscal Year Ending</u>	<u>Total</u>
2004	\$ 51,085
2005	50,493
2006	50,871
2007	50,219
2008	50,539
2009 - 2013	252,679
2014 - 2018	252,111
2019 - 2023	251,988
2024 - 2028	249,033
2029 - 2032	<u>199,785</u>
Total	\$1,458,803
Less interest	<u>(759,803)</u>
Present value	<u>\$ 699,000</u>

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with National City Bank whereby the bank acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the District authorizes and directs National City Bank to make disbursements to pay the project costs from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. At June 30, 2003, the funds held by the escrow agent are reported as "Cash with Escrow Agent" on the combined balance sheet.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences, retirement bonus, and the pension obligation will be paid from the fund in which the employee was paid.

	Balance <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2003</u>
Energy conservation notes payable	\$ 100,000	\$ -	\$ (25,000)	\$ 75,000
Pension obligation payable	60,807	77,773	(60,807)	77,773
Obligation under lease-purchase agreement	708,000	-	(9,000)	699,000
Compensated absences	<u>229,003</u>	<u>42,353</u>	<u>(57,130)</u>	<u>214,226</u>
Total	<u>\$1,097,810</u>	<u>\$120,126</u>	<u>\$(151,937)</u>	<u>\$1,065,999</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$7,191,650, an unvoted debt margin of \$79,907, and an unvoted energy conservation debt margin of \$644,165.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries employee health and general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

The District purchases dental and workers compensation insurance through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust"). The Trust is a public entity risk pool currently operating as a common risk management and insurance program. The intent of the Trust is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Trust. The workers compensation experience of the participating school districts is calculated as one experience and the common premium rate is applied to all districts in the Trust. The Trust is self-sustaining through member premiums and will reinsure through commercial coverage for claims in excess of the pooling level per year.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 2002.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

	Food Service	Uniform School Supplies	Total
Operating revenues	\$ 66,338	\$ 1,174	\$ 67,512
Operating expenses	479,011	-	479,011
Depreciation	4,867	-	4,867
Operating income/(loss)	(417,540)	1,174	(416,366)
Grants and subsidies	448,828	-	448,828
Transfers	18,865	-	18,865
Net income 91,548	1,174	92,722	
Total assets	157,837	31,902	189,739
Net working capital	76,728	31,902	108,630
Total liabilities	60,581	-	60,581
Total equity	97,256	31,902	129,158
Encumbrances at June 30	9,432	-	9,432

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$215,479, \$214,843, and \$184,188, respectively; 40.93% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$127,284, represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$452,369, \$455,132, and \$451,815, respectively; 82.54% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$78,980, represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$32,312 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$94,854 during the 2003 fiscal year.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Sources (Uses)**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget basis	\$(786,321)	\$ 216,906	\$(27,700)	\$ 64,376
Net adjustment for revenue accruals	248,551	130,721	-	(229)
Net adjustment for expenditure accruals	303,920	(493,769)	-	64,969
Net adjustment for other financing sources/(uses)	(264,287)	239,429	-	(609,507)
Encumbrances (budget basis)	<u>78,421</u>	<u>10,814</u>	<u>-</u>	<u>3,104</u>
GAAP basis	<u>\$(419,716)</u>	<u>\$ 104,101</u>	<u>\$(27,000)</u>	<u>\$(477,287)</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 15 - CONTINGENCIES - (Continued)

B. Litigation

The District is not involved in litigation as either plaintiff or defendant.

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>BWC Refunds</u>
Set-aside cash balance/carry forward as of July 1, 2002	\$(189,627)	\$ (221,322)	\$25,107
Current year set-aside requirement	103,549	103,549	-
Current year offsets	-	(101,073)	-
Qualifying disbursements	<u>(209,873)</u>	<u>(940,904)</u>	<u>-</u>
Total	<u>\$(295,951)</u>	<u>\$(1,159,750)</u>	<u>\$25,107</u>
Cash balance carried forward to FY 2004	<u>\$(295,951)</u>	<u>\$(322,395)</u>	<u>\$25,107</u>

Monies representing BWC refunds that were received prior to April 10, 2002, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 16 - STATUTORY RESERVES - (Continued)

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero in the textbooks. The District had qualify disbursements and offsets during the year that reduced the set-aside amount below zero in capital acquisition reserve. The current year offset in the Capital Improvements set-aside, may be carried forward to offset future years requirement and the excess qualifying disbursements may not be carried forward to future years.

In addition to the statutory reserves above, the District has received monies which are restricted for school bus purchases. The restricted assets are not shown on the financial statements because the District has a negative cash balance in the general fund (See Note 3.A.).

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	\$25,107
Amount restricted for school bus purchases	<u>49,048</u>
Total restricted assets	<u>\$74,155</u>

NOTE 17 - SUBSEQUENT EVENTS

As of the date of this audit opinion, Eddie Jacob has been named Interim Treasurer.

NOTE 18 - GOING CONCERN

The accompanying general purpose financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the District as a going concern. However, the District has sustained substantial losses. The District failed to pass an emergency levy in November 2003. The District is currently working with the State Auditors' Office and the Department of Education to certify the District's deficit. Certification is expected to take place in February of 2004 with a plan of action at that time.

SUPPLEMENTAL DATA

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**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Grant Cluster:						
(A),(B) Food Distribution	10.550	N/A	\$ -	\$ 38,688	\$ -	\$ 38,688
(A),(D) School Breakfast Program	10.553	048686-05-PU-2002	21,732		21,732	
(A),(D) School Breakfast Program	10.553	048686-05-PU-2003	105,916		105,916	
(A),(D) National School Lunch	10.555	048686-LL-P4-2002	35,656		35,656	
(A),(D) National School Lunch	10.555	048686-LL-P4-2003	184,159		184,159	
(A),(D) Summer Food Program	10.559	048686-23-PU-2002	33,721		33,721	
(A),(D) Summer Food Program	10.559	048686-23-PU-2003	9,000		9,000	
(A),(D) Summer Food Program	10.559	048686-24-PU-2002	3,471		3,471	
(A),(D) Summer Food Program	10.559	048686-24-PU-2003	500		500	
Total U.S. Department of Agriculture and Nutrition Grant Cluster			394,155	38,688	394,155	38,688
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(G) Title I - Grants to Local Educational Agencies	84.010	048686-C1-S1-2000	(6,971)		-	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-S1-2001	-		100	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-S1-2002	190,054		47,998	
(G) Title I - Grants to Local Educational Agencies	84.010	048686-C1-S1-2003	347,117		222,145	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-SD-2000	(1,408)		821	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-SD-2002	12,984		2,965	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-SD-2003	3,886		15,034	
Total Title I			545,662		289,063	
Special Education Grant Cluster:						
(C) Title VI-B - Education of the Handicapped Act	84.027	048686-6B-SF-2002-P	22,841		25,054	
(C) Title VI-B - Education of the Handicapped Act	84.027	048686-6B-SF-2003-P	17,002		42,343	
Total VI-B			39,843		67,397	
(C) Special Education Preschool	84.173	048686-PG-S1-2001-P	-		1,773	
(C) Special Education Preschool	84.173	048686-PG-S1-2003-P	355		-	
Total Special Education Preschool			355		1,773	
Total Special Education Grant Cluster			40,198		69,170	
(G) Safe and Drug-Free Schools	84.186	048686-DR-S1-2000	(2,739)		1,727	
Safe and Drug-Free Schools	84.186	048686-DR-S1-2001	-		1,743	
Safe and Drug-Free Schools	84.186	048686-DR-S1-2002	-		3,472	
Safe and Drug-Free Schools	84.186	048686-DR-S1-2003	1,915		-	
Total Safe and Drug-Free Schools			(824)		6,942	
Goals 2000	84.276	048686-G2-S1-2000	(247)		-	
(G) Eisenhower Professional Development	84.281	048686-MS-S1-2000	(299)		250	
Eisenhower Professional Development	84.281	048686-MS-S1-2001	-		6,023	
Eisenhower Professional Development	84.281	048686-MS-S1-2002	-		7,992	
Total Eisenhower Professional Development			(299)		14,265	
Innovative Education Program	84.298	048686-C2-S1-2000	-		694	
Innovative Education Program	84.298	048686-C2-S1-2002	2,695		5,069	
Innovative Education Program	84.298	048686-C2-S1-2003	935		2,255	
Total Innovative Education Program			3,630		8,018	
(G) Technology Literacy Challenge	84.318	048686-TF-S2-2001	-		(125)	
Technology Literacy Challenge	84.318	048686-TF-S3-2001	(16,784)		26,712	
Technology Literacy Challenge	84.318	048686-TF-S1-2003	8,309		-	
Total Technology Literacy Challenge			(8,475)		26,587	
Advanced Placement Program	84.330	048686-AV-S1-2003	500		-	
Comprehensive School Reform Program	84.332	048686-RF-S1-2002	22,500		31,078	
(G) Title VI-R - Class Size Reduction	84.340	048686-CR-S1-2000	(3,499)		7,248	
Title VI-R - Class Size Reduction	84.340	048686-CR-S1-2001	-		8,845	
Title VI-R - Class Size Reduction	84.340	048686-CR-S1-2002	-		14,932	
Total Title VI-R			(3,499)		31,025	
School Renovation, IDEA and Technology	84.352A	048686-AT-S2-2002	2,610		2,419	
School Renovation, IDEA and Technology	84.352A	048686-AT-S4-2002	3,567		-	
(F) School Renovation, IDEA and Technology	84.352A	345	150,000		-	
Total School Renovation, IDEA and Technology			156,177		2,419	
Improving Teacher Quality	84.367	048686-TR-S1-2003	54,229		14,156	
Total U.S. Department of Education			809,552		492,723	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System Program	93.778	N/A	3,716		3,716	
Total U.S. Department of Health and Human Services			3,716		3,716	
CORPORATION FOR NATIONAL SERVICE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Learn & Serve America	94.004	048686-SV-S4-2000	(489)		-	
Total Corporation for National Service			(489)		-	
Total Federal Financial Assistance			\$ 1,206,934	\$ 38,688	\$ 890,594	\$ 38,688

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(C) Included as part of "Special Education Grant Cluster" in determining major programs.
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(E) This schedule was prepared on the cash basis of accounting.
(F) This grant originates with the U.S. Department of Education and is passed through the Ohio Department of Education and then through the Ohio School Facilities Commission. The Ohio School Facilities Commission then passes it onto the District.
(G) Monies refunded to the Ohio Department of Education due to the expiration of the period of availability.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Jefferson Township Local School District
2625 S. Union Road
Dayton, OH 45418

We have audited the general purpose financial statements of Jefferson Township Local School District as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated December 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jefferson Township Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-JTLSD-001, 2003-JTLSD-002, 2003-JTLSD-003, 2003-JTLSD-004 and 2003-JTLSD-005. We also noted certain immaterial instances of noncompliance that we have reported to the management of Jefferson Township Local School District in a separate letter dated December 22, 2003.

Board of Education
Jefferson Township Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 22, 2003.

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

Trimble, Julian & Grube, Inc.
December 22, 2003

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

Board of Education
Jefferson Township Local School District
2625 S. Union Road
Dayton, OH 45418

Compliance

We have audited the compliance of Jefferson Township Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2003. Jefferson Township Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jefferson Township Local School District's management. Our responsibility is to express an opinion on Jefferson Township Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Jefferson Township Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson Township Local School District's compliance with those requirements.

Board of Education
Jefferson Township Local School District

In our opinion, Jefferson Township Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2003.

Internal Control Over Compliance

The management of Jefferson Township Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson Township Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

Trimble, Julian & Grube, Inc.
December 22, 2003

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Title I:CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL
STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2003-JTLSD-001
----------------	----------------

Ohio Revised Code Section 5705.39 requires that no subdivision appropriate more than its estimated resources.

The District had appropriations exceeding estimated resources in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
General	General	\$7,166,931
Special Revenue	Public School Support	15,531
Special Revenue	Other Grant	9,155
Special Revenue	District Managed Activity	65,334
Special Revenue	Auxiliary Services	10,171
Special Revenue	Management Information Systems	5,000
Special Revenue	Disadvantaged Pupil Impact Aid	375,910
Special Revenue	Data Communication	10,500
Special Revenue	SchoolNet Professional Development	266
Special Revenue	Ohio Reads	22,500
Special Revenue	Summer Intervention	1,425
Special Revenue	Title VI-B	39,843
Special Revenue	Title I	577,455
Special Revenue	Title VI	2,694
Special Revenue	Drug Free School Grant	1,915
Special Revenue	EHA Preschool Grant	355
Special Revenue	Reducing Class Size	54,229
Special Revenue	Miscellaneous Federal Grants	10,431
Debt Service	Debt Service	27,700
Capital Projects	Permanent Improvement	98,736
Capital Projects	Buildings	602,722
Capital Projects	Interactive Video Distance Learning	8,700
Capital Projects	Emergency School Building Repair	100,000
Enterprise	Food Service	427,999
Enterprise	Uniform School Supplies	1,020
Expendable Trust	Special Trust	241

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL
STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS -
(Continued)**

Finding Number	2003-JTLSLSD-001 - (Continued)
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With appropriations exceeding estimated resources the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resource records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Finding Number	2003-JTLSLSD-002
----------------	------------------

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	General	\$7,337,890	\$7,991,738	\$653,848
Special Revenue	Other Grants	17,892	27,118	9,226
Special Revenue	Auxiliary Services	14,652	16,946	2,294
Special Revenue	Title VI-B	42,056	67,645	25,589
Special Revenue	Title VI	6,764	8,018	1,254
Special Revenue	Drug Free School Grant	6,909	6,942	33
Capital Projects	Buildings	603,868	685,385	81,517
Enterprise	Food Service	460,210	465,385	5,175

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)

Finding Number	2003-JTLSLSD-002 - (Continued)
----------------	--------------------------------

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year as needed. This may be achieved by monitoring the budget more closely on a continual basis throughout the year.

Finding Number	2003-JTLSLSD-003
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Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until October 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances.

It was noted during the audit that the District did not pass its permanent appropriation measure for the fiscal year ended June 30, 2003 until June 2003.

The District is not effectively budgeting for expenditures and spending monies prior to Board approval of appropriations.

We recommend the Board take a more active role in monitoring the District's budgetary processes and requirements and adopt approval procedures for the appropriation measures and include these procedures in an accounting policies and procedures manual. This manual should be provided to the Treasurer and the Treasurer's office. This will be especially effective for situations such as ones that occurred in fiscal 2003, specifically the numerous changes in personnel in the Treasurer's office. Due to the changes that occurred in 2003, we recommend that the Treasurer develop a tickler file including all significant due dates for the budgeting process.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL
STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS -
(Continued)**

Finding Number	2003-JTLSD-004
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit, that the District maintained negative cash fund balances at June 30, 2003 in the following funds:

General Fund	\$536,941
<u>Special Revenue Funds</u>	
Other Grant	9,225
Title VI-B	25,341
Debt Service Fund	27,700
<u>Capital Projects Fund</u>	
Building	74,732

The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. This entails the District implementing cash management policies and procedures. Such policies and procedures should include instructions to submit cash drawdowns on federal grants in a timely manner. If funds are anticipate, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board of Education approval.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
*OMB CIRCULAR A-133 § .505***

**2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL
STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS -
(Continued)**

Finding Number	2003-JTLSD-005
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Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that there were 51% of expenditures during the fiscal year that the District made purchases prior to obtaining purchase orders.

Without timely certification, the District may expend more funds than available in the treasury, in the process of collection, or than appropriated.

We recommend that all orders or contracts involving the expenditure of money be certified prior to purchase to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District should consider using "Then and Now" certificates where applicable. We also recommend that the District refer to Auditor of State Bulletin 98-004 for using "Super" blanket certificates for such recurring expenditures as utilities.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF PRIOR AUDIT FINDINGS
*OMB CIRCULAR A-133 § .505***

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10357-001	Ohio Revised Code Section 5705.39 requires that no subdivision appropriate more than its estimated resources.	No	Finding repeated as 2003-JTLSD-001
2002-10357-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Finding repeated as 2003-JTLSD-002



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JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

MONTGOMERY 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
FEBRUARY 10, 2004**