

**Jefferson Township Local School District
Montgomery County, Ohio**

Basic Financial Statements

June 30, 2008

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Jefferson Township Local School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 23, 2009

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Township Local School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 41 through 44, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of 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 also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 2, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The discussion and analysis of the Jefferson Township Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$1,015,381 which represents a 116% decrease from 2007.
- General revenues accounted for \$6,399,012 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,512,945 or 28% of total revenues of \$8,911,957.
- The District had \$9,927,338 in expenses related to governmental activities; \$2,512,945 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,399,012 were not adequate to provide for these programs including the beginning carryover balance, which initiated the Auditor of State's finding to classify the District as a fiscal emergency District.
- The District's only major governmental fund is the general fund. The general fund had \$7,294,184 in revenues and \$8,078,940 in expenditures. During fiscal year 2008, the general fund's fund balance decreased \$785,056 to (\$1,173,388).

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The District maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund, which is considered a major fund. Data from the other twenty-nine governmental funds are combined into a single, aggregate presentation.

The District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison schedules have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 13-16 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 17 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a comparison of the District's net assets from 2007 to 2008.

*Table 1
Net Assets*

	Restated 2007	2008	Change
Assets			
Current and Other Assets	\$3,968,267	\$3,091,685	(\$876,582)
Capital Assets, net of Accumulated depreciation	1,662,668	1,516,473	(146,195)
<i>Total Assets</i>	<u>5,630,935</u>	<u>4,608,158</u>	<u>(1,022,777)</u>
Liabilities			
Long-term Liabilities	1,092,009	1,036,602	55,407
Other Liabilities	3,661,792	3,709,803	(48,011)
<i>Total Liabilities</i>	<u>4,753,801</u>	<u>4,746,405</u>	<u>7,396</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	817,888	696,285	(121,603)
Restricted	257,452	214,315	(43,137)
Unrestricted	(198,206)	(1,048,847)	(850,641)
<i>Total Net Assets</i>	<u><u>\$877,134</u></u>	<u><u>(\$138,247)</u></u>	<u><u>(\$1,015,381)</u></u>

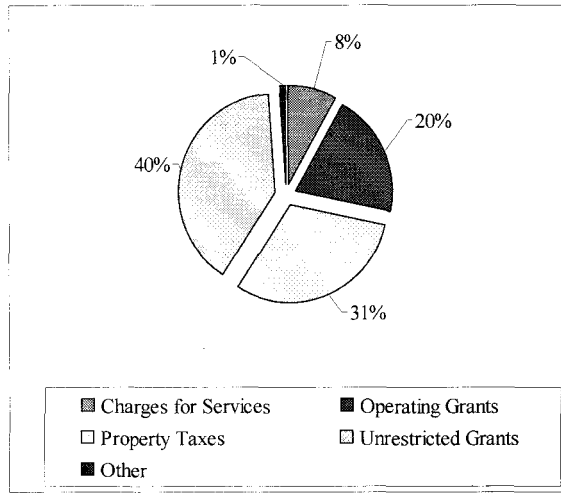
The District's change in other liabilities resulted from the District having over \$270,000 due to the Educational Service Center at the end of the 2007 and it was paid during 2008. The District saw current and other assets drop by over 22% as the District's state funding dropped and available revenues decreased as a result. The District was required to use available cash balances to cover the revenue drop resulting in less available balance, including a negative general fund balance at June 30, 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Graph 1 breaks down the School District's revenues into percentages, while Table 2 compares total revenues for fiscal years 2007 and 2008.

*Graph 1
Total Revenues*



*Table 2
Total Revenues*

	2007	2008
Revenues		
<i>Program Revenues</i>		
Charges for Services	\$806,727	\$731,888
Operating Grants	2,084,414	1,781,057
<i>General Revenues</i>		
Property Taxes	2,870,865	2,747,343
Grants and Entitlements	4,232,675	3,586,793
Investment Earnings	32,813	31,252
Miscellaneous	94,555	33,624
Total Revenues	\$10,122,049	\$8,911,957

For fiscal year 2008 the School District had \$12,108 in revenue per pupil ratio. This compares with the District's \$13,488 expenditure per pupil. The District spent \$427 more per pupil in 2007 than it received in revenues. The District saw revenues decrease by 12% from 2007 due to declining student enrollment.

Table 3 compare total program expenses for fiscal years 2007 and 2008.

*Table 3
Total Program Expense*

	Restated 2007	2008	Change
Program Expenses			
<i>Instruction</i>			
Regular	\$2,801,914	\$2,381,972	(\$419,942)
Special	870,127	999,853	129,726
Vocational	58,155	39,577	(18,578)
Other	1,783,539	1,531,981	(251,558)
<i>Support Services:</i>			
Pupils	209,886	287,878	77,992
Instructional Staff	295,107	241,207	(53,900)
Board of Education	87,145	71,020	(16,125)
Administration	825,453	770,761	(54,692)
Fiscal	1,376,296	1,274,432	(101,864)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Restated 2007	2008	Change
Operation and Maintenance of Plant	\$695,323	\$892,325	\$197,002
Pupil Transportation	623,049	683,254	60,205
Central	204,081	106,249	(97,832)
Operation on Non-Instructional Services	473,398	417,561	(55,837)
Extracurricular Activities	133,748	126,821	(6,927)
Interest and Fiscal Charges	78,762	102,447	23,685
Total Expenses	<u>10,515,983</u>	<u>9,927,338</u>	<u>(\$588,645)</u>
Change in Net Assets	(393,934)	(1,015,381)	
Beginning Net Assets - Restated	<u>1,271,068</u>	<u>877,134</u>	
Ending Net Assets	<u>\$877,134</u>	<u>(\$138,247)</u>	

The District was able to reduce costs in instruction through reducing staffing levels and the adjusting cost of benefits related to employees. The District's most significant reduction was in regular instruction through reducing staffing levels.

The Major Fund

The District only has one major fund: general fund. The general fund accounts for 78% of total governmental revenues of \$9,337,650 and 79% of the governmental expenditures of \$10,157,125. The District felt continued pressure on the general fund during year as revenues dropped by almost \$600,000 compared to 2007. The District attempted to counter this revenue drop by cutting nearly \$500,000 in expenditures. The District continues to evaluate alternatives to control costs and increase revenues; however when 90% of your general fund revenues is generated from property taxes or state foundation revenue there is a limited opportunity to increase revenues.

The nonmajor funds include most of the District's state and federal grant funds which brought in just over \$2 million in revenues that is used for various programs the District offers. As these funds operate on a reimbursement basis for the most part, the District saw a decrease the combined fund balance by \$32,919 during 2008.

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$7,704,471. Actual revenues and other financing sources for fiscal 2008 was \$7,776,450. This represents a \$71,979 increase over original budgeted revenues. Each of the increases from original to final to actual is attributed the District's conservative approach in budgeted the intergovernmental or state foundation revenue given how prior adjustments have impacted the District.

General fund original appropriations was \$8,128,618 with the final appropriations (appropriated expenditures including other financing uses) totaled \$8,075,202. The District held the expenditure budget constant as the estimated revenues were not expected to increase and the general fund was under pressure all year for resources. The actual budget basis expenditures for fiscal year 2008 totaled \$8,261,342, which is \$186,140 more than the budgeted appropriations as the District was not able to amend their final budget before the fiscal year ended.

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

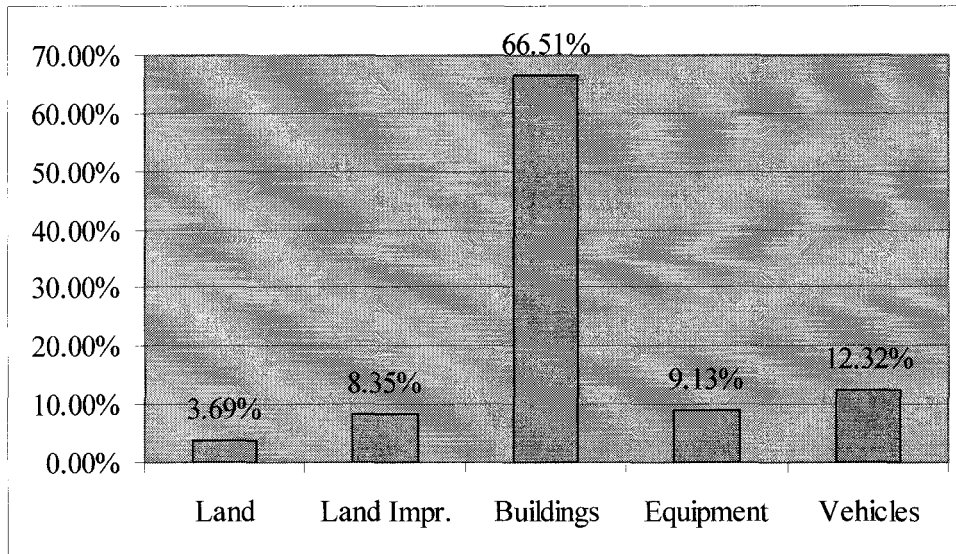
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Capital Assets

At the end of the fiscal year, the District had \$1.52 million invested in land, buildings and improvements, furniture and equipment, and vehicles less accumulated depreciation. The major movement in capital assets for the District was related to recognizing the annual depreciation on District's assets. With the exception of the leased equipment, the District expended very few dollars on other capital assets during the year.

For more information on the amounts that make up the District's capital assets and related accumulated depreciation review Note 8 to the basic financial statements. Graph 2 shows the breakdown of the individual classes cost value for capital assets:

*Graph 2
Percentage of Capital Assets by Class*



Debt Administration

The District's lease purchase agreement through OASBO had a remaining balance of \$645,000 at the end of 2008. The District's overall legal debt margin was \$7,928,426. For more information on the District's long term debt obligations review Note 10 to the basic financial statements.

Other items impacting the financial strength of the District

The District is located in an area of Montgomery County that is mainly rural in nature with relatively small assessed value for the generation of property taxes. The valuation only increased one percent from the prior year which makes the reliance on increase tax revenue without a levy very difficult. The District also has their hands tied with state funding as over fifty percent of the general fund's revenue is derived from state sources. The District needs to control expenditures and use their five year forecast as a strong fiscal management tool to help increase the overall balances of the District.

Finally, the District was placed in Fiscal Emergency in August 2008 by the State Auditor. The District is in the process of establishing the finance commission and making strides to work through this situation.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact The Office of the Treasurer, Jefferson Township Local District, 2625 S. Union Road, Dayton, Ohio 45418.

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Jefferson Township Local School District
Montgomery County, Ohio
Statement of Net Assets
June 30, 2008

	Primary Government Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$247,613
Receivables:	
Property Taxes	2,797,971
Intergovernmental	40,742
Materials and Supplies Inventory	5,359
Nondepreciable Capital Assets	220,390
Depreciable Capital Assets	1,296,083
Total Assets	4,608,158
 <u>Liabilities</u>	
Payables:	
Accounts	59,460
Intergovernmental	285,884
Salaries and Employee Benefits	586,380
Tax Anticipation Note Payable	500,000
Unearned Revenue	2,278,079
Noncurrent Liabilities:	
Due within one year	99,849
Due in more than one year	936,753
Total Liabilities	4,746,405
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	696,285
Restricted for:	
Grants	130,753
Capital Improvements	83,562
Unrestricted (Deficit)	(1,048,847)
Total Net Assets	(\$138,247)

See accompanying notes to the basic financial statements

Jefferson Township Local School District
Montgomery County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2008

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$2,381,972	\$645,470	\$529,903	(\$1,206,599)
Special	999,853	0	566,641	(433,212)
Vocational	39,577	0	0	(39,577)
Other	1,531,981	0	0	(1,531,981)
Support Services:				
Pupils	287,878	0	168,209	(119,669)
Instructional Staff	241,207	0	91,309	(149,898)
Board of Education	71,020	0	0	(71,020)
Administration	770,761	6,610	5,875	(758,276)
Fiscal	1,274,432	0	0	(1,274,432)
Operation and Maintenance of Plant	892,325	3,150	0	(889,175)
Pupil Transportation	683,254	0	0	(683,254)
Central	106,249	0	6,000	(100,249)
Operation of Non-Instructional Services	20,515	0	10,884	(9,631)
Food Service	397,046	48,106	402,236	53,296
Extracurricular Activities	126,821	28,552	0	(98,269)
Interest and Fiscal Charges	102,447	0	0	(102,447)
Total Primary Government	<u>\$9,927,338</u>	<u>\$731,888</u>	<u>\$1,781,057</u>	<u>(7,414,393)</u>

General Revenues:	
Property Taxes Levied for General Purposes	2,669,410
Property Taxes Levied for Capital Improvement Purposes	77,933
Grants and Contributions not restricted to specific programs	3,586,793
Unrestricted investment earnings	31,252
Miscellaneous	33,624
Total General Revenues	<u>6,399,012</u>
Changes in Net Assets	(1,015,381)
Net Assets-Beginning (Restated)	<u>877,134</u>
Net Assets-Ending	<u>(\$138,247)</u>

See accompanying notes to the basic financial statements

Jefferson Township Local School District
Montgomery County, Ohio
Balance Sheet - Governmental Funds
June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$247,613	\$247,613
Receivables:			
Property and Other Taxes	2,712,619	85,352	2,797,971
Interfund	36,854	259,524	296,378
Intergovernmental	0	40,742	40,742
Materials and Supplies Inventory	0	5,359	5,359
 Total Assets	 \$2,749,473	 \$638,590	 \$3,388,063
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Payables:			
Accounts	\$53,527	\$5,933	\$59,460
Intergovernmental	216,392	69,492	285,884
Salaries and Employee Benefits	482,649	103,731	586,380
Interfund	164,885	131,493	296,378
Tax Anticipation Note Payable	500,000	0	500,000
Deferred Revenue	2,505,358	81,407	2,586,765
 Total Liabilities	 3,922,811	 392,056	 4,314,867
 <u>Fund Balances:</u>			
Reserved for:			
Encumbrances	3,485	17,459	20,944
Inventory	0	5,359	5,359
Advances	35,952	0	35,952
Property Taxes	207,261	6,412	213,673
Capital Acquisition	147,338	0	147,338
Unreserved, reported in:			
General (Deficit)	(1,567,374)	0	(1,567,374)
Special Revenue	0	150,628	150,628
Capital Projects	0	66,676	66,676
 Total Fund Balances (Deficit)	 (1,173,338)	 246,534	 (926,804)
 Total Liabilities and Fund Balances	 \$2,749,473	 \$638,590	 \$3,388,063

See accompanying notes to the basic financial statements

Jefferson Township Local School District
Montgomery County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net asset of Governmental Activities

Total Governmental Fund Balances	(\$926,804)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,516,473
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	308,686
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,036,602)</u>
Net Assets of Governmental Activities	<u><u>(\$138,247)</u></u>

Jefferson Township Local School District
Montgomery County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$2,691,077	\$78,628	\$2,769,705
Intergovernmental	3,889,907	1,881,274	5,771,181
Charges for Services	0	48,106	48,106
Tuition and Fees	645,470	0	645,470
Interest	31,252	0	31,252
Rent	3,150	0	3,150
Gifts and Donations	0	243	243
Extracurricular Activities	0	35,215	35,215
Miscellaneous	33,328	0	33,328
Total Revenues	7,294,184	2,043,466	9,337,650
Expenditures:			
Current:			
Instruction:			
Regular	2,123,708	559,971	2,683,679
Special	422,624	579,520	1,002,144
Vocational	39,577	0	39,577
Other	1,531,981	0	1,531,981
Support Services:			
Pupils	30,500	257,378	287,878
Instructional Staff	172,169	68,561	240,730
Board of Education	44,483	0	44,483
Administration	717,204	14,743	731,947
Fiscal	1,275,885	1,568	1,277,453
Operation and Maintenance of Plant	858,060	24,910	882,970
Pupil Transportation	619,924	27,309	647,233
Central	70,653	38,650	109,303
Operation of Non-Instructional Services	169	417,763	417,932
Extracurricular Activities	95,503	31,264	126,767
Capital Outlay	0	6,009	6,009
Debt Service:			
Principal Retirement	12,592	12,000	24,592
Interest and Fiscal Charges	63,908	38,539	102,447
Total Expenditures	8,078,940	2,078,185	10,157,125
Deficiency of Revenues Under Expenditures	(784,756)	(34,719)	(819,475)
Other Financing Sources (Uses):			
Sale of Capital Assets	1,500	0	1,500
Transfers - In	0	52,339	52,339
Transfers - Out	(1,800)	(50,539)	(52,339)
Total Other Financing Sources (Uses)	(300)	1,800	1,500
Net Change in Fund Balances	(785,056)	(32,919)	(817,975)
Fund Balances - beginning	(388,282)	277,413	(110,869)
Change in Inventory	0	2,040	2,040
Fund Balances - ending	(\$1,173,338)	\$246,534	(\$926,804)

See accompanying notes to the basic financial statements

Jefferson Township Local School District
Montgomery County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

Net Change in Governmental Fund Balances	(\$817,975)
 <i>Amounts reported in governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(146,195)
Repayment of long-term obligations is reported as an expenditure in governmental funds, then the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	24,592
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(106,618)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>30,815</u>
Change in net assets of governmental activities	<u><u>(\$1,015,381)</u></u>

Jefferson Township Local School District
Montgomery County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,860</u>
Total Assets	<u><u>18,860</u></u>
<u>Liabilities</u>	
Accounts Payable	568
Due to Students	<u>18,292</u>
Total Liabilities	<u><u>\$18,860</u></u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 45 non-certified and 68 certified employees to provide services to 736 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements 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's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic 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, foods 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 government 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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.

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. During fiscal year 2008, the District paid \$6,984 to MDECA.

The District also participates in an insurance group purchasing pool, described in Note 11.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

GOVERNMENTAL FUNDS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However compensated absences are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

D. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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" in the basic financial statements.

The District has invested funds in STAR Ohio during fiscal 2008. 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, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private purpose trust funds. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$31,252, which includes \$12,076 assigned from other funds.

For presentation on the basic financial statements, 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 District's investment account at year-end is provided in Note 4.

E. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District did not have any prepayments at June 30, 2008.

F. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption, donated food and purchased food.

G. Capital Assets

Capital assets are those assets generally related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for acquisitions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term interfund loans and receivables and payables resulting from the coverage of deficit cash balances are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the statement of net assets.

I. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments 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.

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 severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and lease payments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

K. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, long term advances, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of June 30, 2008, the District did not have any net assets restricted by enabling legislation.

M. Estimates

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

N. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues. On governmental fund financial statements, receivables that will not be collected with the available period have also been reported as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

O. Exchange/Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

P. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheets includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,036,602) difference are as follows:

Lease Purchase Payable	(\$645,000)
Capital Leases Payable	(175,188)
Compensated Absences	(216,414)
Net Adjustment to reduces <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$1,036,602)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$1,516,473 difference are as follows:

Capital Assets	\$5,978,652
Accumulated Depreciation	(4,462,179)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$1,516,473

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds." The details of this (\$106,618) are as follows:

Recognition of Revenue	(\$108,658)
Expenses Inventory	2,040
Net Adjustment – current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$106,618)

Another element of that reconciliation states that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$146,195) are as follows:

Current Capital Additions	\$10,000
Depreciation Expense	(156,195)
Net Adjustment – capital assets to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$146,195)

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balance

At June 30, 2008, the following governmental funds had a deficit fund balance:

Fund	Amount
General Fund	\$1,173,338
Non-Major Governmental Funds	
Other Grants	24,418
District Managed Activities	7,783
Poverty Based Assistance	126,352
Title VI-B Grant	2,509
Miscellaneous Federal Grants	39,355

The deficit in the general fund was primarily caused by the District's pattern of overspending available resources. The projected cash deficit for fiscal year 2009 exceeded 15 percent of the general fund's revenues causing the District to be placed in fiscal emergency in August 2008. On November 24, 2008, the District approved a Financial Recovery Plan to re-establish fiscal integrity of the District. The Financial Recovery Plan outlines several key elements for the resolution of the operating deficit. The most significant key elements are the passage of an operating levy and reduction in expenditures.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)

On November 4, 2008, the District was successful in passing a five mill permanent operating levy that is estimated to generate \$415,000 annually with collection beginning on January 1, 2009. The District has also implemented procedures to reduce fiscal year 2009 expenditures by \$561,000 and fiscal year 2010 expenditures by \$1.2 million. The addition of the operating levy and reduction in expenditures over fiscal years 2009 and 2010 will alleviate the negative fund balance in the general fund. The District's compliance and progress with the Financial Recovery Plan will be examined periodically by the Financial Planning and Supervision Commission until the Auditor of State's office releases the District from fiscal emergency status.

The deficits in the other grants and district managed activities were created by overspending the fund's resources in prior years and maintained a long term payable to the general fund. The deficits in the other funds were created by application of generally accepted accounting principles. The general fund provides cash to this fund; however that does not happen until needed.

B. Compliance

- i. The District did not properly certify several expenditures during fiscal year ended June 30, 2008, in noncompliance with Ohio Revised Code section 5705.41(D).
- ii. The District did not submit a certificate of estimated resources by individual funds in accordance with Ohio Revised Code section 5705.39.
- iii. The District did not maintain proper documentation of appropriation amendments and did not submit all amendments to the County Auditor in accordance with Ohio Revised Code section 5705.39.
- iv. The District did not properly approve transfer in accordance with Ohio Revised Code sections 5705.14 and 5705.16.
- v. The District did not incorporate appropriations or estimated resources into the District's accounting system in accordance with Ohio Administrative Code section 117-2-02(C)(1) which resulted in expenditures exceeding appropriations.
- vi. The District did not issue "412" Certificates in accordance with Ohio Revised Code section 5705.412.

NOTE 4 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 five-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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (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 or 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 2% 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) of this section 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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.

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.

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was (\$298,499). Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, the District's bank balance was (\$141,213) and not subject to Federal Deposit Insurance Corporation coverage as it was a negative balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2008, the District had the following investments and maturities:

	Carrying and Fair Value	Maturity
STAR Ohio	\$564,972	< 60 days

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAA money market rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The District placed 100% of the investments in STAR Ohio.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2008, consist of the following individual receivables and payables and transfer:

	Transfers In	Transfers Out	Interfund Receivable	Interfund Payable
Major Funds				
General	\$0	\$1,800	\$36,854	\$164,885
Non-Major Governmental				
Special Revenue Funds	1,800	0	259,524	131,493
Debt Service Fund	50,539	0	0	0
Capital Projects Fund	0	50,539	0	0
Total	\$52,339	\$52,339	\$296,378	\$296,378

The interfund activity from the food service nonmajor special revenue to the other nonmajor funds and general fund was to cover timing differences in the various grants funds and negative cash balance in the general fund. The interfund activity between the capital projects and debt fund related to debt service payments. The District ended the year with a negative balance in the general and required to use to the positive balances in the food service fund to cover the deficits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien January 1, 2007, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of January 1, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008, and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$207,261 in the general fund and \$6,412 in the permanent improvement fund (a nonmajor governmental fund). These amounts have been recorded as revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<u>2007 Second- Half Collections</u>		<u>2008 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$80,683,710	89.06%	\$81,423,870	92.44%
Public Utility	4,658,121	5.14	4,284,250	4.86
Tangible Personal Property	5,250,050	5.80	2,385,497	2.70
Total Assessed Value	<u>\$90,591,881</u>	<u>100.00%</u>	<u>\$88,093,617</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$61.90		\$61.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Nonmajor Governmental Funds	
Title I Grant	\$27,338
Title VI Grant	278
Drug Free Act Grant	1,060
Public Preschool Grant	1,021
Reducing Class Size Grant	11,045
Total Intergovernmental Receivable	<u>\$40,742</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Restated Balance 7/01/07	Increases	Decreases	Balance 6/30/08
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$220,390	\$0	\$0	\$220,390
Capital Assets, being depreciated				
Land Improvements	498,235	0	0	498,235
Buildings and Improvements	3,970,040	0	0	3,970,040
Furniture and Equipment	554,953	0	0	554,953
Vehicles	725,034	10,000	0	735,034
Total at Historical Cost	<u>5,968,652</u>	<u>10,000</u>	<u>0</u>	<u>5,978,652</u>
Accumulated Depreciation:				
Land Improvements	(363,627)	(7,772)	0	(371,399)
Buildings and Improvements	(3,081,458)	(45,698)	0	(3,127,156)
Furniture and Equipment	(317,442)	(57,030)	0	(374,472)
Vehicles	(543,457)	(45,695)	0	(589,152)
Total Accumulated Depreciation	<u>(4,305,984)</u>	<u>(156,195)</u>	<u>0</u>	<u>(4,462,179)</u>
Governmental Activities Capital Assets, Net	<u>\$1,662,668</u>	<u>(\$146,195)</u>	<u>\$0</u>	<u>\$1,516,473</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$51,074
Support Services:	
Board of Education	26,537
Administration	29,721
Operation and Maintenance of Plant	3,326
Pupil Transportation	43,272
Extracurricular Activities	54
Food Service	2,211
Total Depreciation Expense	<u>\$156,195</u>

NOTE 9 – SHORT TERM OBLIGATIONS

	Amount Outstanding 6/30/2007	Additions	Deletions	Amount Outstanding 6/30/2008
2008 – 4.25% Tax Anticipation Note	\$0	\$500,000	\$0	\$500,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 – SHORT TERM OBLIGATIONS (Continued)

On January 24, 2008, the District issued 4.25% Tax Anticipation Notes (TAN) in the amount of \$500,000 to provide funds for operating purposes. The TAN was issued in anticipation of the collection of current tax revenues to be received from all settlements of taxes in fiscal year 2008. The District had pledged the property tax revenue to meet the note payment from the general operating levy. The operating levy generates approximately \$2.6 million annually. The notes were scheduled to mature on June 26, 2008; however, the District failed to make this payment. The District subsequently made a \$513,779 payment on July 15, 2008 from the general fund.

NOTE 10 - LONG-TERM OBLIGATIONS

A. In a prior year, 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 revenues of the District. Capital assets acquired by lease have been capitalized in the amount of \$708,000, which is equal to the present value of the future minimum lease payments as of the date of their inception. During fiscal 2008, the District paid \$12,000 in principal and \$38,539 in interest and fiscal charges on the lease-purchase agreement. Principal and interest payments are recorded as debt service expenditures in the debt service fund and permanent improvement capital projects fund.

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

Fiscal Year Ending June 30,	Governmental Activities Lease Purchase Agreement		
	Principal	Interest	Total
2009	\$13,000	\$37,474	\$50,474
2010	14,000	36,720	50,720
2011	14,000	35,906	49,906
2012	15,000	35,092	50,092
2013	16,000	34,220	50,220
2014-2018	96,000	156,000	252,000
2019-2023	129,000	124,452	253,452
2024- 2027	170,000	82,502	252,502
2028-2032	178,000	26,552	204,552
Totals	\$645,000	\$568,918	\$1,213,918

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

In a prior fiscal year, the School District entered into capital lease agreement to purchase a bus and a capital lease to purchase a copier. The bus and copier have been capitalized in the amounts of \$70,000 and \$147,270, respectively. The principal and interest payments for the bus are paid from the permanent improvement fund and the lease payments for the copier are paid from the general fund. During fiscal year 2008, the School District paid \$12,592 in principal and \$63,908 in interest charges on the copier lease.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	Governmental
2009	\$125,508
2010	76,500
2011	76,499
2012	31,875
Total	310,382
Less: Amount Representing Interest	(135,194)
Present Value of Net Minimum Lease Payments	\$175,188

During fiscal year 2008, the following changes occurred in the governmental activities long-term obligations:

	Amount Outstanding 6/30/07	Additions	Deductions	Amount Outstanding 6/30/08	Amounts Due within One Year
Governmental Activities:					
Lease Purchase Agreement	\$657,000	\$0	\$12,000	\$645,000	\$13,000
Compensated Absences	247,229	157,153	187,968	216,414	21,351
Capital Leases Payable	187,780	0	12,592	175,188	65,498
Total Governmental Activities	1,092,009	\$157,153	\$212,560	\$1,036,602	\$99,849

Compensated absences will be paid from the fund in which the employee is paid which, for the District is primarily the general fund. The capital leases will be paid from the general fund and permanent improvement capital projects fund.

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 effects of these debt limitations at June 30, 2008 are a voted debt margin of \$7,928,426, an unvoted debt margin of \$88,094, and an Energy Conservation debt margin of \$792,843.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 11 - 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 2008.

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.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$103,634, \$111,294 and \$120,582 respectively; 40.68 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$423,398, \$453,300 and \$381,913 respectively; 83.82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$10,607 made by the School District and \$16,317 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/ STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$26,444.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$104,853, \$61,830, and \$61,846 respectively; 40.68 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2008, 2007 and 2006 were \$10,643, \$8,838, and \$9,313 respectively; 40.68 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$32,569, \$34,869, and \$29,378 respectively; 83.82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$66 per year. A portion of the refund may be recovered from additional State entitlement payments.

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

NOTE 15 - STATUTORY RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an amount for the acquisition and construction of capital improvements. Excess disbursements related to the textbook reserve may be carried forward from year to year. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. Due to the District's current financial condition, the District did not have enough cash in the general fund to reserve the amounts not spent at year-end.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 15 - STATUTORY RESERVES (Continued)

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2007	(\$491,384)	\$48,645	\$25,107
Current Year Set-aside Requirement	98,693	98,693	0
Qualifying Disbursements	0	0	(25,107)
Subtotal	(392,691)	147,338	0
Set-aside Balances Carried Forward to Future Fiscal Years	(392,691)	147,338	\$0
Set-aside Reserve Balances as of June 30, 2008	\$0	\$0	

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Current State statute requires the District to continue reporting funds received that were related to workers' compensation rebates in the budget stabilization reserve. Restrictions exist as to the manner in which these funds may be spent. During fiscal year 2008, the District had a negative cash balance in the general fund. As a result, the prior year reserve in the budget stabilization account was used to offset the negative cash balance.

NOTE 16 - FISCAL WATCH

On February 9, 2004, the District was declared to be in a state of "Fiscal Watch" by the Auditor of State. Effective September 1996, legislation permitted this declaration regarding declining district financial conditions. In accordance with this law, within sixty days of the Auditor's declaration of a fiscal watch, the board of education of the District has to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the District's current operating deficit and avoid future deficits.

NOTE 17 - RESTATEMENT OF NET ASSETS

During fiscal year 2008, the District obtained a better record of the capital assets and the related accumulation depreciation values for those assets. The additional detailed capital asset information had the following impact on beginning net assets:

	Governmental Activities
Net Assets - June 30, 2007	\$970,622
Capital Asset information	(93,488)
Net Assets - June 30, 2007 as restated	\$877,134

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE (Continued)

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District; however, certain disclosures related to short term borrowings have been modified to conform to the new reporting requirements.

GASB Statement No. 50 establishes standard that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statement of the District.

NOTE 19- SUBSEQUENT EVENT

On August 11, 2008, the Auditor of State declared the District to be in a state of Fiscal Emergency under Section 3316.03 (B)(2) of the Ohio Revised Code.

On November 4, 2008, The District passed a five mill permanent operating levy. The operating levy is estimated to generate \$415,000 annually, with collection beginning January 1, 2009.

On August 21, 2008, the District received an advance from the School Solvency Assistance Fund in the amount of \$1,795,000. The advance is interest free and must be repaid within two fiscal years.

Jefferson Township Local School District
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$3,112,001	\$3,112,001	\$3,140,468	\$28,467
Intergovernmental	3,854,645	3,854,645	3,889,907	35,262
Tuition and Fees	670,652	670,652	676,787	6,135
Interest	30,969	30,969	31,252	283
Rent	3,121	3,121	3,150	29
Miscellaneous	33,083	33,083	33,386	303
Total Revenues	7,704,471	7,704,471	7,774,950	70,478
Expenditures:				
Current:				
Instruction:				
Regular	1,996,300	2,038,658	2,066,555	(27,897)
Special	320,500	250,500	415,541	(165,041)
Vocational	43,600	43,600	31,800	11,800
Other	1,563,935	1,734,663	1,821,304	(86,641)
Support Services:				
Pupils	45,050	45,050	33,940	11,110
Instructional Staff	158,200	158,200	158,448	(248)
Board of Education	59,000	60,596	42,465	18,131
Administration	819,886	799,893	708,487	91,406
Fiscal	1,436,900	1,338,704	1,422,462	(83,758)
Business	300	300	0	300
Operation and Maintenance of Plant	841,417	750,589	808,903	(58,314)
Pupil Transportation	618,128	629,047	585,217	43,830
Central	61,240	61,240	64,096	(2,856)
Operation of Non-Instructional Services				
Instructional Services	6,662	6,662	3,801	2,861
Extracurricular Activities	107,400	107,400	96,523	10,877
Total Expenditures	8,078,518	8,025,102	8,259,542	(234,440)
Deficiency of Revenues				
Under Expenditures	(374,047)	(320,631)	(484,592)	(163,961)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	1,500	1,500
Transfers Out	(50,100)	(50,100)	(1,800)	48,300
Total Other Financing Sources (Uses)	(50,100)	(50,100)	(300)	49,800
Net Change in Fund Balance	(424,147)	(370,731)	(484,892)	(114,161)
Fund Balances at Beginning of Year	398,744	398,744	398,744	0
Prior Year Encumbrances Appropriated	92,990	92,990	92,990	0
Fund Balance at End of Year	\$67,587	\$121,003	\$6,842	(\$114,161)

See accompanying notes to the required supplementary information

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The Jefferson Township Local School District (the "District") budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the District's year-end basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the District arises; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under the budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

General Budget Policies

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.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Prior to January 15, 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 express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for rate determination. The Montgomery County Budget Commission waived this requirement for fiscal year 2008.

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County 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 fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the final budget columns of the budgetary schedule reflects the amounts in the final amended certificate of estimated resources issued during fiscal year 2008.

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund/object for the General Fund and the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total fund appropriation, or alter total appropriation at the legal level of control must be approved by the Board of Education.

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The budget figures which appear in the schedule of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis schedule for the General Fund.

Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
General Fund

GAAP Basis	(\$785,056)
Revenue Accruals	480,766
Expenditure Accruals	(177,117)
Encumbrances	(3,485)
Budget Basis	<u><u>(\$484,892)</u></u>

Jefferson Township Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Food Distribution Program	NN-N1	10.550	26,748	26,748
Nutritional Cluster:				
National School Breakfast Program	05-PU	10.553	129,206	129,206
National School Lunch Program	LL-P4	10.555	212,793	212,793
Summer Food Service Program	24-PU	10.559	<u>45,153</u>	<u>45,153</u>
Total Nutrition Cluster			<u>387,152</u>	<u>387,152</u>
Total U.S. Department of Agriculture			<u>413,900</u>	<u>413,900</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	241,983	257,043
Title I-D Delinquent Grant	C1-SD	84.010	<u>22,582</u>	<u>48,581</u>
Total Title I			<u>264,565</u>	<u>305,624</u>
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	222,006	207,780
Preschool Disabilities Grant	PG-SC	84.173	<u>2,194</u>	<u>3,206</u>
Total Special Education Cluster			<u>224,200</u>	<u>210,986</u>
Drug Free Schools and Communities	DR-S1	84.186	2,536	742
Title VI - Innovative Education Grant	C2-S1	84.298	1,510	2,164
Title II-D - Technology	TJ-S1	84.318	2,394	1,721
Improving Teacher Quality	TR-S1	84.367	63,746	79,395
Reading First	RS-S1	84.357	<u>196,376</u>	<u>201,091</u>
Total U.S. Department of Education			<u>755,327</u>	<u>801,723</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>1,169,227</u>	\$ <u>1,215,623</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2008, the District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Township Local School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2008-001, 2008-002, 2008-003, 2008-004, 2008-005, 2008-006 and 2008-007 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 2008-001 and 2008-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2008-008, 2008-009, 2008-010, 2008-011, 2008-012 and 2008-013.

We noted certain matters that we reported to management of the District, in a separate letter dated February 2, 2009.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the finance committee, Board of Education, 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.



Springfield, Ohio
February 2, 2009

Report on Compliance with Requirements Applicable to Each Major 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, Ohio 45418

Compliance

We have audited the compliance of the Jefferson Township Local School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in findings 2008-014, 2008-015, 2008-016, 2008-017 and 2008-018 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding allowable costs, cash management, eligibility, earmarking and special tests and provisions that are applicable to its Title I program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

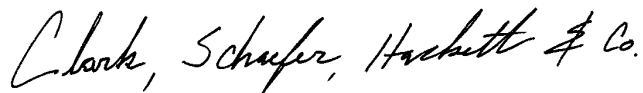
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2008-014, 2008-015, 2008-016, 2008-017 and 2008-018 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider findings 2008-014, 2008-015, 2008-016, 2008-017 and 2008-018 to be material weaknesses.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the finance committee, others within the entity, Board of Education, 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.



Springfield, Ohio
February 2, 2009

Jefferson Township Local School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2008

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Type of auditors’ report issued on compliance for major programs:	Qualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
Identification of major programs:	
<i>Nutrition Cluster:</i>	
CFDA 10.553 – School Breakfast	
CFDA 10.555 – School Lunch	
CFDA 10.559 – Summer Food Service	
CFDA 84.010 – Title I	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2008-001

Effective internal controls can prevent loss of resources, ensure reliable financial reporting and can help an entity comply with laws and regulations. During the performance of the District’s audit, several material weaknesses in the internal controls over financial reporting were noted, and include the following:

Cash Reconciliations

The monthly reconciliation of the cash balance per the accounting records to the amount reported in the financial institution’s account statements is the most significant internal control procedure for an entity which maintains its accounting records on a cash basis of accounting. Since fiscal year 2006, the District

has not been able to reconcile the general ledger to the bank balance. The unidentified differences between the general ledger and the bank are posted as miscellaneous adjustments to the accompanying financial statements but those adjustments have not been posted to accounting records by the District.

Capital Assets

During the audit of capital assets, it was noted that the District's capital asset listing was not complete, does not report correct acquisition dates and lists several items that are most likely not currently in use by the District. The District received an asset appraisal in fiscal year 2005 but did not upload the data into the District's accounting system. Furthermore the District has failed to track additions or deletions subsequent to the appraisal date resulting in audit adjustments and a prior period adjustment.

Financial Statements

The District contracts with outside professional assistance for financial statement preparation in conformity with accounting principles generally accepted in the United States of America (GAAP). However, management of the District is ultimately responsible for the presentation of the financial statements.

Prior period adjustments and current audit adjustments indicate internal controls over financial reporting are not operating effectively to prevent errors and omissions from going undetected by the District or its agent during the process of preparing its annual financial statements. As disclosed in Note 17 to the financial statements, the District restated net assets of Governmental Activities as of June 30, 2007. This restatement was necessary due to errors in the calculation of capital assets and related depreciation in the prior year. In addition, during the current audit, audit adjustments were required to properly report certain assets and liabilities including, capital assets, accumulated depreciation, capital leases, notes payable, accrued wages and benefits, intergovernmental receivables and intergovernmental revenue.

The District should develop internal controls to, at a minimum, correct the weaknesses noted above. The District should also put monitoring procedures in place to ensure the controls are operating effectively.

Management Response

Monthly reconciliations agreeing the general ledger balance to the bank balances are now being performed. We will be working with the Auditor of State's Office and our ODE Financial Consultant from the Oversight Commission to determine the best way to post prior adjustments that need to be booked.

The District will be working on updating Capital Assets to reflect the correct capital asset listing as of June 30, 2009 (FY09 year-end).

The District will work closer with the outside firm preparing the GAAP statements, including providing more detailed information necessary for accurate GAAP statements.

Finding 2008-002

Performing a careful review of the payroll register can highlight several types of payroll fraud. During the audit it was noted that there were no review procedures in place to identify unusual matters in payroll. As a result, one employee was not properly withholding payments for health and dental insurance. The period from which the withholdings were not properly withheld dated from January 2004 through September 2008 and amounted to \$5,786.42. Subsequently, the Board of Education has approved a repayment schedule to correct this issue and the appropriate amount has been, and will continue to be, withheld from the employee's payroll check until the total amount has been repaid.

We recommend that an appropriate person periodically review payroll registers being alert for unusual matters including employees who are not having benefits or other items withheld from their pay.

Management Response

The Treasurer will develop a procedure for the review of payroll registers. This review will include that the proper personnel are being paid; review of gross wages, overtime and withholdings including those for benefits.

Finding 2008-003

Comprehensive personnel files compile all data for all employees and a complete file should be maintained for all current employees.

During the audit, we observed that personnel files are not complete and in several instances did not contain current documentation of appropriate certification. It was also noted that the documentation maintained in the personnel files was not filed in an organized or consistent manner.

We recommend that at a minimum, the following items be in an employee's personnel file and be maintained by an individual who does not have payroll preparation responsibilities.

- Signed and dated application of employment
- Date of hire and documentation of appropriate level of approval for hire
- Approved pay rate (updated as changes occur)
- Insurance and other benefits election forms
- Employees current address and contact information
- Documentation of current certification
- Employee evaluations

The above items should be filed in each personnel file in the same order with an index or checklist that all items are complete.

Management Response

The District will develop a personnel file checklist and begin the incorporation of this in active personnel files.

Finding 2008-004

Employees are paid different rates based primarily on where they are placed on the pay schedule outlined in the District's agreements with the respective unions. The District also prepares contracts and salary notices for each employee which are mailed to the employee at the beginning of the contract period.

During the audit we noted the salary notices are signed by the Treasurer, however, the contracts maintained by the District do not have any indication that the step at which the employee has been assigned is reviewed for accuracy and there is no evidence that the pay rate calculation is reviewed for agreement with the union agreements and calculated correctly. We also noted two instances where the contract/salary notice did not agree to the payroll register and current contracts could not be located for ten employees.

Since payroll expense represents the majority of the District's expenditures we believe the appropriate level of management should approve all pay rate changes and that approval should be documented. Written authorization for placement of the employees on the pay schedules should be maintained in the personnel files. Management should document their review of the payroll master file and compare pay rates to those approved by the Board in the respective union agreements.

Management Response

The Treasurer will implement a system such that all salary notices are filed in the respective personnel files. Additionally, the personnel files will contain evidence (i.e., copy of Board Minutes or Union Contract) supporting the salary notice and indication of review by the Treasurer (initials).

Finding 2008-005

On January 24, 2008, the District issued a \$500,000 Tax Anticipation Note (TAN) to provide funds for operating purposes. The TAN was issued in anticipation of the collection of current tax revenues to be

received from all settlements of taxes in and for fiscal year 2008. The maturity date on the TAN was June 26, 2008 with a 4.25 percent interest rate.

The District did not repay the TAN when it became due on June 26, 2008 and therefore, the financial institution that held the TAN considered the District in default. The District subsequently made a payment of \$513,779 on July 15, 2008 to pay-off the TAN. However, the default on the current TAN resulted in additional interest accruing on the note, as well as potentially affecting the District's credit rating in attempts to obtain future financing.

Management Response

The Treasurer will be implementing procedures such that all debt payments are authorized by the Board of Education and payment is made prior to the due date.

Finding 2008-006

Most governmental entities have the authority to provide cell phones, credit cards and purchasing cards for use by authorized employees and to provide government-owned vehicles and equipment. The use of these items should be specified in a policy the government's legislative body adopts. These policies should, at a minimum, identify authorized users, guidelines for allowable use/ purchases, method of reimbursement (if personal use is allowed), specific unallowable uses, reporting, monitoring of use by appropriate levels of management, and other guidelines the legislative body deems appropriate.

During an examination of District expenditures for cell phones and credit cards it was determined that the District is not properly monitoring cell phone charges or credit card charges. In fact, there was no evidence that any of the charges were reviewed by any member of management. The following are the most significant exceptions noted:

- We examined 5 payments for credit card charges. For all five of the payments, there were no receipts attached to the credit card statements to support the expenditure was for proper public purpose. We were able to request and obtain one receipt for the out of state travel and noted an unallowable charge for alcohol for \$19 that was not reimbursed to the District.
- Invoices received from Cincinnati Bell and Verizon Wireless for cell phones issued to Board Members did not include a detail listing of phone numbers outgoing or incoming. It is not possible to identify personal use without detail listings of phone numbers. On one of the invoices examined there were excessive fees for text messages, automatic return call charges, Vcast music downloads and directory assistance.

We recommend the District develop specific policies regarding the use of District property and implement monitoring procedures to ensure all usage is in accordance with the District's policy and accurate. Personal use of government property is considered a taxable benefit by the IRS. The District's failure to have and enforce a policy regarding use of District property could subject the District to penalties for not reporting the personal use as wages. In addition, the lack of receipts being obtained for credit card purchases could result in the inappropriate payment for items which are not related to District business or not permitted to be made by a public entity.

Management Response

All future credit card charges will require a receipt before payment will be made. Additionally, the District is in the process of canceling all District credit cards.

The District has terminated all District cell phones except the cell phone being used by the Facilities Coordinator. Verizon Wireless is now providing a detailed monthly statement for this cell phone reflecting all charges and phone calls. The Superintendent or Treasurer will be periodically reviewing the Verizon Wireless statements for any personal use.

Finding 2008-007

During an examination of travel and expense reimbursement requests, we noted that there are no review procedures in place to ensure the requests are accompanied by appropriate receipts or are calculated correctly. We also noted that the Board policy relating to job expense reimbursement is vague and does not detail specific items that are allowable and unallowable nor does it outline the procedures for review of these types of requests. As a result, there were some travel reimbursement requests examined that did not have adequate supporting documentation attached to verify they were for proper public purpose and errors were noted in the calculations of mileage reimbursement. While the dollar amount associated with these items was insignificant, it does indicate controls over reimbursements were not working as they should or inadequate in their design.

We recommend the District implement procedures to maintain better control over travel expense records and review of documentation supporting such requests. We also recommend the District adopt a policy that specifies reimbursements that are allowable and what is expected to be submitted with each reimbursement request.

Management Response

The Oversight Commission has adopted a policy that all travel and expense reimbursements must have a Purchase Order approved by an Oversight Commission Resolution before payment can be made. Additionally, the Oversight Commission has instructed the Treasurer to only reimburse those items with the appropriate documentation (receipts, etc.).

Finding 2008-008

Ohio Admin. Code section 117-2-02(C)(1) states in part that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

Ohio Rev. Code section 5705.36 states the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Ohio Rev. Code section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During testing of compliance with the above code sections we noted the following:

- Detail of appropriation amendments approved through Board Resolution 08-104 and Board Resolution 08-116 could not be located, therefore, we could not test year end budgetary compliance.
- Detail of certificate of estimated resources amendments approved through Board Resolution 07-187 and Board Resolution 08-118 could not be located, therefore, budgetary compliance could not be tested.
- Appropriations and estimated resources were not integrated into the District's accounting system
- Appropriations provided did not agree to those approved by the Board and were not filed with the County Auditor.
- The County Auditor did not file a "do not exceed" certificate, therefore, the appropriation measures passed by the District were not considered to be in effect.

We recommend the District design and implement procedures to ensure they are in compliance with budgetary requirements. The District should also implement review procedures to ensure accounting records are accurately and timely updated for all budget amendments. Also, if the County Auditor does not certify the appropriations are not in excess of the Certificate of Estimated Resources, the District should take immediate action to resolve the violation.

Management Response

The Treasurer is working with our ODE Financial Consultant from the Oversight Commission to develop a system/procedures to address these budgetary requirements. It is envisioned that the Board of Education will be presented with the certificate of estimated resources for approval prior to submission to the Montgomery County Auditor. Throughout the year, any changes to the certificate of estimated resources will follow the above steps.

Finding 2008-009

Ohio Rev. Code §5705.412 requires the treasurer, superintendent and president of the board of education to certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year and for a number of days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year. The certificate is required to be attached to appropriation measures, qualifying contracts and wage or salary schedules. Obligations that have not been certified as required are considered void and no payments may be made on void obligations.

During fiscal year 2008, the District did not attach a “412” certificate to the appropriation measures as required. As a result the appropriation measure is considered void and no payments were to be made under those appropriation measures.

The District should implement procedures to ensure all required “412” certificates are issued and provide the Board with an analysis of future revenues supporting the certification.

Management Response

The Treasurer is working with our ODE Financial Consultant from the Oversight Commission to develop a system/procedures to ensure all “412” certificates are issued and the Board of Education is provided with an analysis supporting the certification.

Finding 2008-010

Ohio Revised Code Section 5705.41(D) states no contracts or orders involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the contract or order has been lawfully appropriated.

There are several exceptions to this requirement provided by the Revised Code including “then and now” certificates, blanket purchase orders and super blanket purchase orders.

During our testing we noted 26 out of 60 or 43% of items tested were not properly encumbered prior to the obligation being made and also did not meet any of the exceptions provided.

The District should ensure all expenditures and contracts are properly certified in advance or utilize one of the other methods available to properly certify those expenditures and contracts in accordance with the requirements of State law.

Management Response

Procedures for the issuance of Purchase Orders and “then and now” certificates have been implemented by the Treasurer.

Finding 2008-011

Ohio Revised Code Sections 5705.14 and 5705.16 state transfers can only be made by resolution of the taxing authority. Additionally transfers can only be made from the general fund to other funds with limited exceptions.

The District made two transfers from the permanent improvement fund to the debt service fund totaling \$52,339. Only one of those transfers was approved by the Board and neither transfer met the exceptions of section 5705.14.

The District should implement procedures to ensure all transfers are approved by the Board and no transfers are made without Board approval.

Management Response

The District now has procedures in place to ensure that all transfers have been approved by the Board before the transfer is made. Additionally, the Financial Consultant from the Oversight Commission will be reviewing for this in her monthly monitoring for the Commission.

Finding 2008-012

Ohio Administrative Code section 3301-92 requires the District to set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and be carried forward to be used for the same purpose in future years. The amounts required to be set-aside and qualifying expenditures are disclosed in the notes to the basic financial statements and any carry forward balance is considered a restricted asset on the financial statements.

The District could not provide documentation supporting the amounts reported as qualifying expenditures in the notes to the financial statements to reduce the set-aside to zero or below. In addition, the financial statements did not properly report the prior year carryover balance. As a result, the District had an carry-forward balance of \$147,338 in the capital acquisition set aside. In addition the District did not have any cash available to reserve the carry-forward balance.

The District should set up specific accounts in the general fund to track the expenditures that meet the requirements for the textbook and capital acquisition set-aside. The District should also ensure documentation is maintained to support the expenditures charged to those accounts meet the definition of allowable expenditures for those set-aside reserves.

Management Response

The District will set up specific accounts in the general fund to track expenditures for the textbook and capital acquisition set-aside and establish procedures for adequate documentation of these expenditures.

Finding 2008-013

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Current State statute requires the District to continue reporting funds received that were related to workers' compensation rebates in the budget stabilization reserve. Restrictions exist as to the manner in which these funds may be spent.

As of June 30, 2007, the District had \$25,107 as a required budget stabilization reserve. This amount is also required to be reserved in the general fund as restricted cash. During fiscal year 2008, the District had a negative cash balance in the general fund and the prior year budget stabilization reserve was used to offset the negative cash balance. However, the District did not maintain documentation to support that the disposition of the budget stabilization was for permitted purposes.

The District should review the District's policy for proper disposition of the workers' compensation reserve and ensure that the disposition of the budget stabilization reserve was in accordance with the policy and met the requirements for proper disposition. If the disposition was not found to be in compliance, the District should reserve the required cash in the general fund until the funds can be properly accounted for and disbursed.

Management Response

The District will reserve the required cash in the general fund until the funds for the budget stabilization reserve can be properly accounted for and disbursed.

Section III – Federal Awards Findings and Questioned Costs

Finding 2008-014

The No Child Left Behind Act (NCLB), Education Department General Accounting Rules (EDGAR), 34 CFR 74-86 and CCIP planning tools and budgets govern the allowable uses of funds for the Title I program. The District submits an application and budget to the Ohio Department of Education which outlines the objectives of the Title I program. This application and budget is approved by the Ohio Department of Education. During tests of expenditures charged to the Title I grant, it was noted that the District charged expenditures to this grant that were not allowable and did not meet the objectives outlined in the grant application. Those expenditures were for expenditures not supported with adequate documentation to determine the purpose was Title I related, journal entries not supported for Title I purposes, expenditures for students for which no eligibility documentation was available and salaries and benefits for employees with no documentation of time spent on Title I. The total amount of the expenditures deemed to be unallowable totaled \$134,468.

The District should ensure that personnel reviewing the expenditures for compliance are aware of the grant requirements and the expenditures meet the objectives outlined in the grant application and are within the grant budget, both of which have been approved by the Ohio Department of Education.

Management Response

Both the Superintendent and Treasurer will be attending ODE training this spring to become more familiar with the Federal programs and their regulations. The Superintendent is working closely with the ODE designated Title I consultant to ensure the District's compliance.

Finding 2008-015

The Ohio Department of Education, in accordance with the Cash Management Act of 1990, prescribes procedures to request funding under the Title I program. Those procedures require the District to complete a Project Cash Request (PCR). Except for the initial PCR, cash requests are limited to one month (up to 10% of the approved budget amount) plus any negative balance. The information submitted by the District on the PCR fiscal summary section (i.e. project cash received, total award expenditures, fund cash balance) are to be supported by the District's records.

During an examination of the PCRs submitted by the District for the Title I program, it was noted that the amounts reported in the fiscal summary section did not agree to the District's records.

The District should implement review procedures to ensure the information reported on the PCRs is supported by the District records.

Management Response

The District will implement a procedure that all PCR requests must be substantiated by the Treasurer's authorization and a District report generated from USAS prior to the PCR submission.

Finding 2008-016

The No Child Left Behind Act (NCLB) requires District's operating a targeted assistance program to use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards. Eligible children are to be identified on the basis of multiple educationally related, objective criteria. Two or more academically related criteria must be used and the students must be ranked and served using a compilation of these criteria from the highest to lowest risk child.

During testing of compliance with targeted assistance eligibility, the District could not provide an example of the multi-criteria assessment form used to determine a student's eligibility. The District verbally stated that any student who did not pass the OAT/OGT tests and was recommended by a teacher based on their evaluation of the students needs, would receive additional services. The District could not provide a comprehensive list of "targeted" students who received additional tutoring, received additional learning tools such as laptops or directly benefited from other supplies materials charged to Title I. The District

also could not correlate the specific expenditures to the students who were not passing the OAT/OGT tests.

The District should develop a multi-criteria assessment form to be used to determine each student's eligibility. The form should be maintained for each student in conjunction with documentation of the additional services provided to each student targeted under Title I.

Management Response

The District will develop a multi-criteria assessment form to be used to determine each student's Title I eligibility. This form will be maintained for each student with the documentation of the additional services provided to each student targeted under Title I.

Finding 2008-017

The No Child Left Behind Act (NCLB) requires any District in school improvement status to spend not less than 10% of the Title I building allocation on professional development for school improvement.

The District buildings receiving Title I monies were in school improvement status, however, the District could not provide documentation that no less than 10% of the building allocations were spent on professional development.

District should implement procedures to ensure the District's accounting system "earmarks" 10% of the Title I building allocations for professional development in any year the buildings are found to be in improvement status.

Management Response

The District will begin budgeting for at least 10% of the allocation to be spent on professional development for school improvement. This budget will be monitored at least monthly to ensure monies are spent for this professional development.

Finding 2008-018

To ensure that Title I schools and programs have a federally qualified instructional staff, the No Child Left Behind Act (NCLB) has specific provisions for paraprofessionals who have instructional duties in targeted assistance or school wide Title I programs. One of the three following criteria have to be met in order for a paraprofessional to be highly qualified.

1. Complete at least two years of study at an institution of higher education
2. Obtain an associate or higher degree from an accredited institution of higher education
3. Meet a rigorous standard of quality and demonstrate through a formal State or local academic assessment (1) knowledge of and the ability to assist in instructing reading, writing, and mathematics or (2) knowledge of and the ability to assist in readiness for reading, writing and mathematics.

The District could not provide documentation supporting that one of the paraprofessionals charged to the Title I grant was highly qualified.

The District should review all personnel in Title I buildings and ensure they are in compliance with the highly qualified status annually and this documentation should be maintained for audit purposes.

Management Response

The District will review all Title I personnel and ensure that they are in compliance with the highly qualified status annually and that documentation supporting this is maintained.

Jefferson Township Local School District
Summary of Prior Audit Findings and Questioned Costs
Fiscal Year Ended June 30, 2008

Finding 2007-001 – internal control weaknesses in cash reconciliations, cash disbursements, cash receipts and capital assets. Partially corrected, repeated as finding 2008-001.

Finding 2007-002 – noncompliance with Ohio Admin. Code section 117-2-02(C)(1) and Ohio Rev. Code section 5705.39. Not corrected, repeated as finding 2008-008.

Finding 2007-003 – noncompliance with Ohio Rev. Code section 5705.412. Not corrected, repeated as finding 2008-009.

Finding 2007-004 – noncompliance with Ohio Rev. Code section 5705.41(D). Not corrected, repeated as finding 2008-010.

Finding 2007-005 – noncompliance with Ohio Rev. Code sections 5705.14 and 5705.16. Not corrected, repeated as finding 2008-011

Finding 2007-006 – financial statements not prepared complete and accurately in accordance with GAAP. Not corrected, repeated as finding 2008-001.

Finding 2007-007 – schedule of federal awards was not complete and did not agree to the District's subsidiary ledgers. Corrected.

Finding 2007-008 – unallowable costs noted in the Title I program. Not corrected, repeated as finding 2008-014.

Finding 2007-009 – final expenditure report for the Title I grant was not supported by District records and exceeded the approved budget by more than 10%. Partially corrected, repeated as a management letter comment.



Mary Taylor, CPA
Auditor of State

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
APRIL 2, 2009