

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

Basic Financial Statements

June 30, 2009

(with Independent Auditors' Report)





Mary Taylor, CPA  
Auditor of State

Board of Education  
Jefferson Township Local School District  
2625 South 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, 2008 through June 30, 2009. 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

April 13, 2010

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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, 2009, 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, 2009, 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.

As discussed in Note 18, the District is experiencing certain financial difficulties and has been placed in fiscal emergency by the Auditor of State of Ohio.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2010, 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.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 45 through 48 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.

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  
March 12, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's 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, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities increased \$924,299 which represents an 899.92% increase from 2008.
- General revenues accounted for \$6,766,931 in revenue or 69.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,032,787 or 30.95% of total revenues of \$9,779,718.
- The District had \$8,875,419 in expenses related to governmental activities; \$3,032,787 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 \$6,766,931 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$9,012,485 in revenues and other financing sources and \$6,804,886 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$2,207,599 from a deficit balance of \$1,026,246 to a positive \$1,181,353.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic 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. These notes to the basic financial statements can be found on pages 20-44 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**The District as a Whole**

The table below provides a summary of the District's net assets at June 30, 2009 and June 30, 2008.

	<b>Net Assets</b>	
	Governmental Activities <u>2009</u>	(Restated) Governmental Activities <u>2008</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 5,667,113	\$ 3,127,223
Capital assets, net	<u>1,314,412</u>	<u>1,516,473</u>
Total assets	<u>6,981,525</u>	<u>4,643,696</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,711,752	1,036,602
Long-term liabilities	<u>2,448,183</u>	<u>3,709,803</u>
Total liabilities	<u>6,159,935</u>	<u>4,746,405</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	682,412	696,285
Restricted	373,716	102,762
Unrestricted (deficit)	<u>(234,538)</u>	<u>(901,756)</u>
Total net assets (deficit)	<u>\$ 821,590</u>	<u>\$ (102,709)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$821,590.

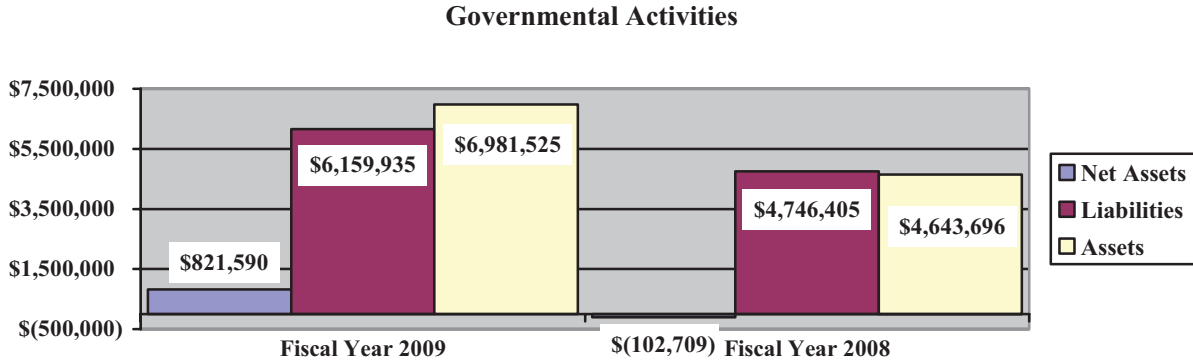
At year end, capital assets represented 18.83% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets net of accumulated depreciation at June 30, 2009, were \$1,314,412. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$373,716, represents resources that are subject to external restriction on how they may be used.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The graph below presents the District's governmental net assets at June 30, 2009 and June 30, 2008.



The table below shows the change in net assets for fiscal year 2009 and 2008.

	Change in Net Assets	
	Governmental Activities 2009	(Restated) Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 657,080	\$ 731,888
Operating grants and contributions	2,375,707	1,816,595
General revenues:		
Property taxes	2,861,844	2,747,343
Grants and entitlements	3,848,094	3,586,793
Investment earnings	12,241	31,252
Other	14,013	33,624
Gain on lease termination	30,739	-
Total revenues	<u>9,799,718</u>	<u>8,947,495</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Change in Net Assets</b>	
	(Restated)	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,971,034	\$ 2,381,972
Special	1,807,792	999,853
Vocational	-	39,577
Other	1,800,922	1,531,981
Support services:		
Pupil	159,277	287,878
Instructional staff	213,254	241,207
Board of education	45,172	71,020
Administration	783,086	770,761
Fiscal	217,136	1,274,432
Business	297	-
Operations and maintenance	693,636	892,325
Pupil transportation	501,776	683,254
Central	28,083	106,249
Operation of non-instructional services:		
Food service operations	410,908	397,046
Other non-instructional services	(3,263)	20,515
Extracurricular activities	154,672	126,821
Interest and fiscal charges	<u>91,637</u>	<u>102,447</u>
Total expenses	<u>8,875,419</u>	<u>9,927,338</u>
Change in net assets	924,299	(979,843)
Net assets at beginning of year (deficit)(restated)	<u>(102,709)</u>	<u>877,134</u>
Net assets at end of year (deficit)	<u>\$ 821,590</u>	<u>\$ (102,709)</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$924,299. Total governmental expenses of \$8,875,419 were offset by program revenues of \$3,032,787 and general revenues of \$6,766,931. Program revenues supported 34.17% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 68.47% of total governmental revenue.

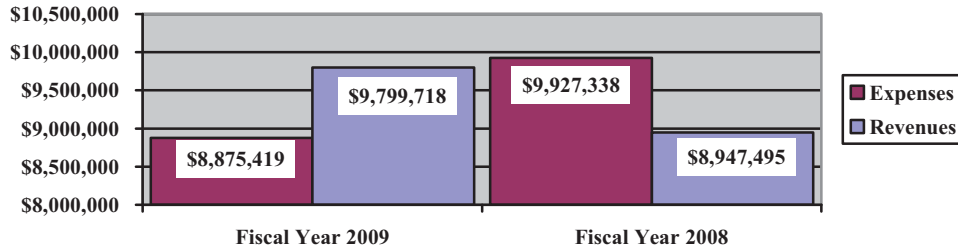
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,579,748 or 62.87% of total governmental expenses for fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,971,034	\$ 844,943	\$ 2,381,972	\$ 1,171,061
Special	1,807,792	673,640	999,853	433,212
Vocational	-	(11,391)	39,577	39,577
Other	1,800,922	1,795,957	1,531,981	1,531,981
Support services:				
Pupil	159,277	151,052	287,878	119,669
Instructional staff	213,254	30,002	241,207	149,898
Board of education	45,172	45,172	71,020	71,020
Administration	783,086	772,939	770,761	758,276
Fiscal	217,136	217,136	1,274,432	1,274,432
Business	297	297	-	
Operations and maintenance	693,636	660,921	892,325	889,175
Pupil transportation	501,776	468,774	683,254	683,254
Central	28,083	9,346	106,249	100,249
Operation of non-instructional services	407,645	(30,709)	417,561	(43,665)
Extracurricular activities	154,672	122,916	126,821	98,269
Interest and fiscal charges	91,637	91,637	102,447	102,447
<b>Total expenses</b>	<u>\$ 8,875,419</u>	<u>\$ 5,842,632</u>	<u>\$ 9,927,338</u>	<u>\$ 7,378,855</u>

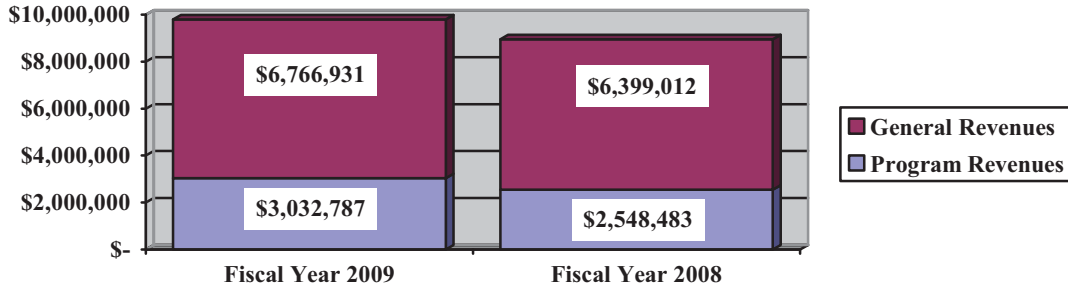
The dependence upon tax and other general revenues for governmental activities is apparent, 56.53% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 65.82%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,438,960, which is higher than last year's deficit balance of \$891,266. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	(Restated) Fund Balance (Deficit) <u>June 30, 2008</u>	<u>Increase</u>	Percentage <u>Change</u>
General	\$ 1,181,353	\$ (1,026,246)	\$2,207,599	215.11 %
Other Governmental	<u>257,607</u>	<u>134,980</u>	<u>122,627</u>	90.85 %
Total	<u>\$ 1,438,960</u>	<u>\$ (891,266)</u>	<u>\$2,330,226</u>	261.45 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***General Fund***

The District's general fund deficit balance increased \$2,207,599.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 <u>Amount</u>	(Restated) 2008 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 2,698,565	\$ 2,691,077	\$ 7,488	0.28 %
Earnings on investments	12,241	31,252	(19,011)	(60.83) %
Tuition	558,112	645,470	(87,358)	(13.53) %
Intergovernmental	4,199,709	3,889,907	309,802	7.96 %
Other revenues	<u>43,858</u>	<u>36,478</u>	<u>7,380</u>	20.23 %
 Total	 <u>\$ 7,512,485</u>	 <u>\$ 7,294,184</u>	 <u>\$ 218,301</u>	 2.99 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,347,266	\$ 4,117,890	\$ 229,376	5.57 %
Support services	2,288,988	3,788,878	(1,499,890)	(39.59) %
Non-instructional services	2,020	169	1,851	1,095.27 %
Extracurricular activities	105,504	95,503	10,001	10.47 %
Debt service	<u>61,108</u>	<u>76,500</u>	<u>(15,392)</u>	(20.12) %
 Total	 <u>\$ 6,804,886</u>	 <u>\$ 8,078,940</u>	 <u>\$(1,274,054)</u>	 (15.77) %

Earnings on investments decreased approximately 60.83% from 2008 which can be attributed to decreased interest rates on the District's investment accounts. Tuition decreased approximately 13.53% from 2008 as a result of a decrease in excess cost tuition reimbursement. The increase in other revenues of 20.23% is primarily due to the increase in transportation fees. The most significant change in expenditures occurred in the support services expenditures. Support services expense decreased approximately 39.59%. The decrease can be attributed to a large reduction in force throughout the district. Debt service expenditure decreased approximately 20.12% from 2008 which can be attributed to the District terminating their capital lease in December 2008. All other revenues and expenditures remain comparable to the prior year.

***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.

For fiscal year 2009, the general fund, original budgeted revenues and other financing sources was \$9,052,288. Final budgeted revenues and other financing sources was \$9,052,288. Actual revenues and other financing sources for fiscal year 2009 was \$9,052,288. This represents no change from final or original budgeted revenues.

General fund original appropriations totaled \$8,882,246. Final appropriations totaled \$8,304,927. The actual budget basis expenditures for fiscal year 2009 totaled \$7,793,512, which was \$511,415 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2009, the District had \$1,314,412 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2009 balances compared to June 30, 2008:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$ 220,390	\$ 220,390
Land improvements	119,064	126,836
Building and improvements	797,185	842,884
Furniture and equipment	65,818	180,481
Vehicles	111,955	145,882
 Total	 \$ 1,314,412	 \$ 1,516,473

The overall decrease in capital assets of \$202,061 is due to disposals of \$88,362 and depreciation expense of \$113,699.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2009, the District had \$1,500,000 in solvency assistance state loans and \$632,000 in lease purchase agreements. Of this total, \$764,000 is due within one year and \$1,368,000 is due in greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2009	2008
Solvency assistance state loan	\$ 1,500,000	\$ -
Lease purchase agreement	632,000	645,000
Capital leases payable	-	175,188
 Total	 \$ 2,132,000	 \$ 820,188

At June 30, 2009, the District's overall legal debt margin was \$9,067,753, and an unvoted debt margin of \$100,753.

See Note 12 to the basic financial statements for additional information on the District's debt administration.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Current Financial Related Activities**

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 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.

The District was placed in Fiscal Emergency in August 2008 by the Auditor of State. A financial planning and supervision commission (the "commission") has been established to assure the fiscal integrity of the District. Before the District will be released from Fiscal Emergency by the commission, the District will need to repay the \$1,500,000 solvency loan from the State and have met the requirements of the commission's recovery plan.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, 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 Mr. Chris Frame, Treasurer, Jefferson Township Local School District, 2625 S. Union Road, Dayton, Ohio 45417.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 1,748,771
Receivables:	
Taxes . . . . .	3,646,442
Accounts . . . . .	1,877
Intergovernmental . . . . .	238,445
Prepayments . . . . .	10,801
Materials and supplies inventory . . . . .	20,777
Capital assets:	
Land . . . . .	220,390
Depreciable capital assets, net . . . . .	1,094,022
Capital assets, net. . . . .	1,314,412
Total assets. . . . .	6,981,525
<b>Liabilities:</b>	
Accounts payable. . . . .	55,844
Accrued wages and benefits . . . . .	407,001
Pension obligation payable. . . . .	148,914
Intergovernmental payable . . . . .	62,772
Unearned revenue . . . . .	3,037,221
Long-term liabilities:	
Due within one year. . . . .	784,625
Due within more than one year . . . . .	1,663,558
Total liabilities . . . . .	6,159,935
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	682,412
Restricted for:	
Capital projects . . . . .	30,121
State funded programs . . . . .	47,375
Federally funded programs . . . . .	113,295
Food service . . . . .	166,876
Other purposes . . . . .	16,049
Unrestricted (deficit). . . . .	(234,538)
Total net assets . . . . .	\$ 821,590

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, 2009

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 1,971,034	\$ 432,841	\$ 693,250	\$ (844,943)
Special . . . . .	1,807,792	125,271	1,008,881	(673,640)
Vocational . . . . .	-	-	11,391	11,391
Other . . . . .	1,800,922	1,676	3,289	(1,795,957)
Support services:				
Pupil . . . . .	159,277	-	8,225	(151,052)
Instructional staff . . . . .	213,254	-	183,252	(30,002)
Board of education . . . . .	45,172	-	-	(45,172)
Administration . . . . .	783,086	3,901	6,246	(772,939)
Fiscal . . . . .	217,136	-	-	(217,136)
Business . . . . .	297	-	-	(297)
Operations and maintenance . . . . .	693,636	24,425	8,290	(660,921)
Pupil transportation . . . . .	501,776	4,498	28,504	(468,774)
Central . . . . .	28,083	-	18,737	(9,346)
Operation of non-instructional services	407,645	37,533	400,821	30,709
Extracurricular activities . . . . .	154,672	26,935	4,821	(122,916)
Interest and fiscal charges . . . . .	91,637	-	-	(91,637)
<b>Total governmental activities . . . . .</b>	<b>\$ 8,875,419</b>	<b>\$ 657,080</b>	<b>\$ 2,375,707</b>	<b>(5,842,632)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	2,779,258
Capital projects . . . . .	82,586
Grants and entitlements not restricted to specific programs . . . . .	3,848,094
Investment earnings . . . . .	12,241
Miscellaneous . . . . .	14,013
Gain on lease termination . . . . .	30,739
<b>Total general revenues . . . . .</b>	<b>6,766,931</b>
Change in net assets . . . . .	924,299
<b>Net assets at beginning of year (restated) . . . . .</b>	<b>(102,709)</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 821,590</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,327,717	\$ 411,106	\$ 1,738,823
Receivables:			
Taxes . . . . .	3,551,951	94,491	3,646,442
Accounts . . . . .	1,377	500	1,877
Intergovernmental . . . . .	-	238,445	238,445
Interfund loans . . . . .	42,000	-	42,000
Prepayments . . . . .	10,801	-	10,801
Materials and supplies inventory . . . . .	15,418	5,359	20,777
Due from other funds . . . . .	2,169	-	2,169
Loans receivable . . . . .	35,952	902	36,854
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	9,948	-	9,948
Total assets . . . . .	\$ 4,997,333	\$ 750,803	\$ 5,748,136
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 38,542	\$ 17,302	\$ 55,844
Accrued wages and benefits . . . . .	272,328	134,673	407,001
Compensated absences payable . . . . .	-	10,279	10,279
Pension obligation payable . . . . .	117,508	31,406	148,914
Intergovernmental payable . . . . .	51,768	11,004	62,772
Due to other funds . . . . .	-	2,169	2,169
Interfund loans payable . . . . .	-	42,000	42,000
Loans payable . . . . .	-	36,854	36,854
Unearned revenue . . . . .	2,958,108	79,113	3,037,221
Deferred revenue . . . . .	377,726	128,396	506,122
Total liabilities . . . . .	3,815,980	493,196	4,309,176
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	95,713	50,995	146,708
Reserved for materials and supplies inventory . . . . .	15,418	5,359	20,777
Reserved for prepayments . . . . .	10,801	-	10,801
Reserved for property tax unavailable for appropriation . . . . .	216,117	5,577	221,694
Reserved for capital maintenance . . . . .	5,450	-	5,450
Reserved for school bus purchases . . . . .	4,498	-	4,498
Reserved for loans . . . . .	35,952	902	36,854
Unreserved, undesignated, reported in:			
General fund . . . . .	797,404	-	797,404
Special revenue funds . . . . .	-	180,031	180,031
Capital projects funds . . . . .	-	14,743	14,743
Total fund balances . . . . .	1,181,353	257,607	1,438,960
Total liabilities and fund balances . . . . .	\$ 4,997,333	\$ 750,803	\$ 5,748,136

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$	1,438,960
<i>Amounts reported for governmental activities on 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.			1,314,412
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	387,527	
Intergovernmental revenue receivable		<u>118,595</u>	
Total			506,122
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(305,904)	
Solvency assistance loans payable		(1,500,000)	
Lease-purchase obligation payable		<u>(632,000)</u>	
Total			<u>(2,437,904)</u>
<b>Net assets of governmental activities</b>		\$	<u><u>821,590</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,698,565	\$ 81,971	\$ 2,780,536
Tuition . . . . .	558,112	-	558,112
Charges for services . . . . .	-	37,838	37,838
Transportation fees . . . . .	4,498	-	4,498
Earnings on investments . . . . .	12,241	-	12,241
Extracurricular . . . . .	-	32,512	32,512
Other local revenues . . . . .	39,360	8,489	47,849
Intergovernmental - State . . . . .	4,199,709	688,481	4,888,190
Intergovernmental - Federal . . . . .	-	1,209,767	1,209,767
Total revenue . . . . .	<u>7,512,485</u>	<u>2,059,058</u>	<u>9,571,543</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	1,345,922	586,069	1,931,991
Special . . . . .	1,203,269	594,554	1,797,823
Other . . . . .	1,798,075	2,847	1,800,922
Support services:			
Pupil . . . . .	199,515	7,487	207,002
Instructional staff . . . . .	60,221	154,384	214,605
Board of education . . . . .	19,230	-	19,230
Administration . . . . .	675,052	4,525	679,577
Fiscal . . . . .	222,535	1,427	223,962
Business . . . . .	297	-	297
Operations and maintenance . . . . .	670,288	17,441	687,729
Pupil transportation . . . . .	418,214	1,220	419,434
Central . . . . .	23,636	15,221	38,857
Operation of non-instructional services:			
Food service operations . . . . .	-	389,332	389,332
Other non-instructional services . . . . .	2,020	14,455	16,475
Extracurricular activities . . . . .	105,504	47,853	153,357
Debt service:			
Principal retirement . . . . .	10,495	58,592	69,087
Interest and fiscal charges . . . . .	50,613	41,024	91,637
Total expenditures . . . . .	<u>6,804,886</u>	<u>1,936,431</u>	<u>8,741,317</u>
Excess of revenues over expenditures . . . . .	<u>707,599</u>	<u>122,627</u>	<u>830,226</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	32,092	32,092
Transfers (out) . . . . .	-	(32,092)	(32,092)
Proceeds from loans . . . . .	1,500,000	-	1,500,000
Total other financing sources . . . . .	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Net change in fund balances . . . . .	2,207,599	122,627	2,330,226
<b>Fund balances (deficit) at beginning of year, restated . . . . .</b>	<u>(1,026,246)</u>	<u>134,980</u>	<u>(891,266)</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,181,353</u>	<u>\$ 257,607</u>	<u>\$ 1,438,960</u>

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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	2,330,226
<i>Amounts reported for 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 as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Current year depreciation		(113,699)
In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds only proceeds from the sale are reported. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(88,362)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	81,308	
Intergovernmental revenue	116,128	
Total		197,436
Repayment of capital lease and lease-purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		69,087
The statement of activities reports gains arising from the early termination of capital leases. Conversely, governmental funds do not report any gain on lease termination.		119,101
Proceeds of loans are recorded as revenue in the funds, however in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(1,500,000)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(89,490)
<b>Change in net assets of governmental activities</b>	\$	924,299

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 24,726
Total assets. . . . .	24,726
<b>Liabilities:</b>	
Due to students . . . . .	24,726
Total liabilities . . . . .	\$ 24,726

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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 and 1 comprehensive high school. The District employs 33 non-certified and 50 certified employees to provide services to 502 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. 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 governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Miami Valley Career Technology Center

The 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 2009, the District paid \$36,257 to MDECA.

The District also participates in an insurance group public entity risk pool, described in Note 13.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

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. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2009 have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. 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" on the basic financial statements.

During fiscal year 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$12,241, which includes \$5,958 assigned from other District 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**F. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded 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**

Governmental 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.

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:

<u>Description</u>	<u>Governmental Activities 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 the coverage of deficit cash balances are reported as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets. Long-term advances not expected to be repaid within one year are classified as "loans receivable/payable". 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 sick leave 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, 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 sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 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.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**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 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, prepayments, property taxes unavailable for appropriation, capital maintenance, school bus purchases and loans. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**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. The amount restricted for other purposes represents amounts restricted by State statute for capital maintenance and school bus purchases.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. 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.

**N. 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.

**O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a capital maintenance and school bus purchases reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.



**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Other grants	\$ 24,418
Computer network	168
District managed student activity	22,380
Poverty aid	11,452
IDEA preschool	2,001

Except for the computer network and IDEA preschool nonmajor special revenue funds, these funds complied with Ohio State Law, which does not permit a cash basis deficit at year end. The deficit fund balances and net assets results from adjustments for accrued liabilities.

**C. Compliance**

The District did not certify to the county auditor an appropriation measure that did not exceed the certificate of estimated resources in accordance with Ohio Revised Code sections 5706.36 and 5705.39.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The district did not incorporate appropriations or estimated resources into the District's accounting system in accordance with Ohio Administrative Code section 177-2-02(C)(1).

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that 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 or deposit accounts including passbook accounts.

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

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt interests rated in either of the two highest 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 financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**A. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$341,169. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$139,402 of the District's bank balance of \$389,402 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2009, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ <u>1,432,328</u>	\$ <u>1,432,328</u>

*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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 1,432,328</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 341,169
Investments	<u>1,432,328</u>
Total	<u>\$1,773,497</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,748,771
Agency fund	<u>24,726</u>
Total	<u>\$1,773,497</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 42,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from permanent improvement capital projects (a nonmajor governmental fund) to:	
Bond retirement debt service (a nonmajor governmental fund)	\$ 32,092

The purpose of this transfer was to move the principal and interest payments of the lease purchase agreement from the permanent improvement capital projects fund to the debt service fund.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

- C.** Interfund balances for the year ended June 30, 2009, consisted of the following due to/from other funds, as reported on the fund financial statements:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 2,169	\$ -
Nonmajor governmental funds:		
Computer network	-	168
IDEA preschool	-	2,001
Total	<u>\$ 2,169</u>	<u>\$ 2,169</u>

The primary purpose of the due to/from other funds is to cover a negative cash balance in a respective fund. The general fund is liable for covering a cash deficit. Due to/from other funds are eliminated between governmental funds for reporting in the statement of net assets. All amounts are to be repaid within one year.

Effective April 1, 2007, school districts may maintain a negative cash balance if two criteria are met: (1) general fund must have available funds to cover negative; (2) a reimbursement request must have been submitted. The District met these two requirements. These interfund balances will be repaid once the anticipated revenues are received.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

D. Loans consisted of the following at June 30, 2009, as reported on the fund financial statements. The underlying advances were made in a prior year and have not been repaid as of June 30, 2009.

<u>Receivable funds</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 35,952
Food service	Nonmajor governmental funds	<u>902</u>
Total		<u>\$ 36,854</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$216,117 in the general fund and \$5,577 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

June 30, 2008 was \$207,261 in the general fund and \$6,412 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the 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, 2009 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 unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 81,423,870	92.44	\$ 96,543,180	93.87
Public utility personal	4,284,250	4.86	4,247,950	4.13
Tangible personal property	<u>2,385,497</u>	<u>2.70</u>	<u>2,057,162</u>	<u>2.00</u>
Total	<u>\$ 88,093,617</u>	<u>100.00</u>	<u>\$ 102,848,292</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$61.90		\$66.90	

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 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:

**Governmental activities:**

Taxes	\$ 3,646,442
Accounts	1,877
Intergovernmental:	
Nonmajor governmental funds	
Public school preschool	25,811
Ohio reads	5,268
Title VI-B	45,317
Title I	39,260
Reducing class size	22,563
Miscellaneous federal grants	54,944
Federal lunch subsidy	<u>45,282</u>
Total intergovernmental	<u>238,445</u>
Total	<u>\$ 3,886,764</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.



**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance			Balance
	<u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/09</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 220,390	\$ -	\$ -	\$ 220,390
Total capital assets, not being depreciated	<u>220,390</u>	<u>-</u>	<u>-</u>	<u>220,390</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	498,235	-	-	498,235
Buildings and improvements	3,970,040	-	-	3,970,040
Furniture and equipment	554,953	-	(147,270)	407,683
Vehicles	735,034	-	-	735,034
Total capital assets, being depreciated	<u>5,758,262</u>	<u>-</u>	<u>(147,270)</u>	<u>5,610,992</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(371,399)	(7,772)	-	(379,171)
Buildings and improvements	(3,127,156)	(45,699)	-	(3,172,855)
Furniture and equipment	(374,472)	(26,301)	58,908	(341,865)
Vehicles	(589,152)	(33,927)	-	(623,079)
Total accumulated depreciation	<u>(4,462,179)</u>	<u>(113,699)</u>	<u>58,908</u>	<u>(4,516,970)</u>
Governmental activities capital assets, net	<u>\$ 1,516,473</u>	<u>\$ (113,699)</u>	<u>\$ (88,362)</u>	<u>\$ 1,314,412</u>

Depreciation expense was charged to the governmental functions as follows:

<b><u>Instruction:</u></b>	
Regular	\$ 51,075
<b><u>Support services:</u></b>	
Board of education	25,942
Administration	267
Operation and maintenance	3,326
Pupil transportation	31,504
Extracurricular activities	54
Food service operations	<u>1,531</u>
Total depreciation expense	<u>\$ 113,699</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - SHORT TERM OBLIGATIONS**

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>
2008 - 4.25% Tax anticipation Note	\$ 500,000	\$ -	\$(500,000)	\$ -

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 the 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 made the payment on July 15, 2008 from the general fund.

**NOTE 10 - LEASE-PURCHASE AGREEMENT - LESEE DISCLOSURE**

In a prior fiscal 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 is general operating revenues of the District. Capital assets acquired by the 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 year 2009, the District paid \$13,000 in principal and \$37,474 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 <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	17,000	33,292	50,292
2015 - 2019	102,000	150,422	252,422
2020 - 2024	136,000	116,956	252,956
2025 - 2029	181,000	72,626	253,626
2030 - 2032	<u>137,000</u>	<u>16,210</u>	<u>153,210</u>
Total	<u>\$ 632,000</u>	<u>\$ 531,444</u>	<u>\$ 1,163,444</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - CAPITAL LEASE OBLIGATION - LESEE DISCLOSURE**

In a prior fiscal year, the District entered into a capital lease agreement to purchase a bus and a capital lease to purchase copiers. The bus and copiers 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 copiers are paid from the general fund. During fiscal year 2009, the District paid \$10,495 in principal and \$36,834 in interest charges on the copier lease and \$45,592 in principal and \$3,225 in interest charges on the bus lease.

During fiscal year 2009 the District terminated the copier lease. The balance of the lease at the time of termination was \$119,101. The book value of the related asset was \$88,362 for a net realized gain on the termination of \$30,739.

**NOTE 12 - LONG-TERM OBLIGATIONS**

During fiscal year 2009, the following changes occurred in the governmental activities long-term obligations:

	Balance Outstanding <u>06/30/08</u>	Additions	Reductions	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
School solvency assistance fund loan	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 750,000
Lease purchase agreement	645,000	-	(13,000)	632,000	14,000
Compensated absences	216,414	99,769	-	316,183	20,625
Capital leases payable - copiers	129,596	-	(129,596)	-	-
Capital leases payable - bus	<u>45,592</u>	<u>-</u>	<u>(45,592)</u>	<u>-</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>\$ 1,036,602</u>	<u>\$ 1,599,769</u>	<u>\$(188,188)</u>	<u>\$ 2,448,183</u>	<u>\$ 784,625</u>

Compensated absences will be paid from the fund in which employees' are paid.

The lease purchase agreement will be paid from the permanent improvement capital projects fund.

*School solvency assistance fund loan* - On August 21, 2008 the District received an advance from the school solvency assistance fund in the amount of \$1,500,000. This is an interest free loan and must be repaid within two fiscal years. The proceeds of the loan was received by the general fund and will be repaid in two equal payments of \$750,000 each in fiscal years 2010 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$9,067,753 and an unvoted debt margin of \$100,753.

**NOTE 13 - RISK MANAGEMENT**

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

The District purchases medical and dental 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 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 15. As such, no funding provisions are required by the District.

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 14 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$87,407, \$103,634 and \$111,294, respectively; 25.85 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

Plan Description - The 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](http://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 fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 14 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$313,249, \$423,398 and \$453,300, respectively; 90.53 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$7,666 made by the District and \$10,737 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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 105(e). For 2009, 4.16 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 2009, the actuarially determined amount was \$35,800.

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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$66,446, \$104,853 and \$61,830, respectively; 25.85 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,212, \$10,643 and \$8,838, respectively; 25.85 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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](http://www.strsoh.org) or by calling (888) 227-7877.

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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$24,096, \$32,569 and \$34,869, respectively; 90.53 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 16 - 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**

The District is a party to legal proceedings regarding the sale of real estate; however, the District management is of the opinion that the legal proceedings will not have an adverse material effect on the financial condition of the District.

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. The current year set aside normally required for textbooks and capital acquisitions were not necessary as the District obtained proper legal approval from the Superintendent of Public Instruction and by a unanimous vote of the Board of Education to appropriate the funds for other purposes. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purpose in future years. These reserves are calculated and presented on a cash basis.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Due to the District being declared in fiscal emergency, the Financial Planning and Supervision Commission reviewed the District's calculations in prior years for the statutory reserves. As a result of this review, the balances as of June 30, 2008 were adjusted.

**NOTE 17 - STATUTORY RESERVES - (Continued)**

During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2008, restated	\$ (435,934)	\$ 5,450
Current year set-aside requirement	91,981	-
Current year offsets	-	-
Qualifying disbursements	<u>(57,614)</u>	<u>-</u>
Total	<u>\$ (401,567)</u>	<u>\$ 5,450</u>
Balance carried forward to fiscal year 2010	<u>\$ (401,567)</u>	<u>\$ 5,450</u>

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2009 follows:

Amounts restricted for school bus purchases	\$ 4,498
Amount restricted for capital acquisition	<u>5,450</u>
Total restricted assets	<u>\$ 9,948</u>

**NOTE 18 - FISCAL EMERGENCY**

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. In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. The District's recovery plan was adopted on November 24, 2008. The recovery plan includes staff reductions and significant reductions of operating expenditures. During fiscal year 2009, General Fund expenditures were reduced by \$800,000 from the prior year. The plan calls for a total of expenditure reductions of \$2.2 million through fiscal year 2010.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 19 - RESTATEMENT OF FUND BALANCE AND NET ASSETS**

During fiscal year 2009, the District was able to reconcile the cash balances that had not been reconciled properly for several years. The reconciliation caused the fund balance at June 30, 2008 to be restated as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund balance at June 30, 2008	\$ (1,173,338)	\$ 246,534
Cash adjustment	<u>147,092</u>	<u>(111,554)</u>
Total	<u>\$ (1,026,246)</u>	<u>\$ 134,980</u>

The adjustment to fund balance at June 30, 2008, also caused the deficit net asset balance at June 30, 2008 of \$138,247 to be increased by \$35,538 to a deficit balance of \$102,709.

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,689,709	\$ 2,689,709	\$ 2,689,709	\$ -
Tuition. . . . .	558,112	558,112	558,112	-
Transportation fees. . . . .	4,498	4,498	4,498	-
Earnings on investments. . . . .	12,241	12,241	12,241	-
Other local revenues . . . . .	39,360	39,360	39,360	-
Intergovernmental - State . . . . .	4,199,709	4,199,709	4,199,709	-
Total revenue . . . . .	<u>7,503,629</u>	<u>7,503,629</u>	<u>7,503,629</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,825,229	1,706,595	1,601,503	105,092
Special. . . . .	1,430,158	1,337,202	1,254,858	82,344
Vocational. . . . .	6,803	6,361	5,969	392
Other. . . . .	2,049,262	1,916,066	1,798,075	117,991
Support services:				
Pupil. . . . .	222,226	207,782	194,987	12,795
Instructional staff . . . . .	76,422	71,455	67,055	4,400
Board of education . . . . .	27,067	25,307	23,749	1,558
Administration. . . . .	817,229	764,112	717,058	47,054
Fiscal . . . . .	241,837	226,118	212,194	13,924
Business . . . . .	623	583	547	36
Operations and maintenance. . . . .	851,283	795,953	746,938	49,015
Pupil transportation . . . . .	534,906	500,138	469,340	30,798
Central. . . . .	41,939	39,213	36,798	2,415
Operation of non-instructional services . . . . .	2,302	2,153	2,020	133
Extracurricular activities. . . . .	121,540	113,640	106,642	6,998
Debt service:				
Principal retirement . . . . .	500,000	500,000	500,000	-
Interest expense. . . . .	85,553	47,493	13,779	33,714
Total expenditures . . . . .	<u>8,834,379</u>	<u>8,260,171</u>	<u>7,751,512</u>	<u>508,659</u>
Excess of revenues over (under) expenditures. . . . .	<u>(1,330,750)</u>	<u>(756,542)</u>	<u>(247,883)</u>	<u>508,659</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	48,659	48,659	48,659	-
Advances (out) . . . . .	(47,867)	(44,756)	(42,000)	2,756
Proceeds from loans . . . . .	1,500,000	1,500,000	1,500,000	-
Total other financing sources (uses) . . . . .	<u>1,500,792</u>	<u>1,503,903</u>	<u>1,506,659</u>	<u>2,756</u>
Net change in fund balance . . . . .	170,042	747,361	1,258,776	511,415
<b>Fund balance (deficit) at</b>				
<b>beginning of year (restated) . . . . .</b>	(22,545)	(22,545)	(22,545)	-
<b>Prior year encumbrances appropriated . . . . .</b>	3,485	3,485	3,485	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 150,982</u>	<u>\$ 728,301</u>	<u>\$ 1,239,716</u>	<u>\$ 511,415</u>

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 1 - BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2009 is as follows:

1. 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 purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2009.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 1 - BUDGETARY PROCESS - (Continued)**

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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 fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

**NOTE 2 – RESTATEMENT OF UNENCUMBERED BALANCE**

A restatement of the June 30, 2008, unencumbered cash balance on the statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) for the general fund was required. This restatement had the following effect on the unencumbered fund balance as previously reported.

	<u>General</u>
Unencumbered fund balance at June 30, 2008	\$ 6,842
Prior period adjustment	147,091
Adjustment for negative cash balances at June 30, 2008	(176,478)
Restated unencumbered fund balance at June 30, 2008	\$ (22,545)

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 1,258,776
Net adjustment for revenue accruals	8,856
Net adjustment for expenditure accruals	848,677
Net adjustment for other financing sources/uses	(6,659)
Adjustment for encumbrances	97,949
GAAP basis	<u>\$ 2,207,599</u>

**Jefferson Township Local School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2009**

<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>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	LL-P4	10.555	24,028	24,028
Cash Assistance				
National School Breakfast Program	05-PU	10.553	99,128	99,128
National School Lunch Program	LL-P4	10.555	162,324	162,324
Summer Food Service Program	24-PU	10.559	<u>56,781</u>	<u>56,781</u>
Total U.S. Department of Agriculture			<u>342,261</u>	<u>342,261</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	277,263	284,423
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	84,346	77,731
Preschool Disabilities Grant	PG-SC	84.173	<u>1,456</u>	<u>3,646</u>
Total Special Education Cluster			<u>85,802</u>	<u>81,377</u>
Drug Free Schools and Communities	DR-S1	84.186	2,489	8,671
Title VI - Innovative Education Grant	C2-S1	84.298	1,265	1,557
Title II-D - Technology	TJ-S1	84.318	117,514	92,106
Improving Teacher Quality	TR-S1	84.367	77,720	74,796
Reading First	RS-S1	84.357	<u>221,519</u>	<u>223,212</u>
Total U.S. Department of Education			<u>783,572</u>	<u>766,142</u>
<b><u>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>				
Disaster Assistance	N/A	97.036	<u>1,028</u>	<u>1,028</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>1,126,861</u>	\$ <u>1,109,431</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, 2009, 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2010, wherein we noted the District is experiencing financial difficulties and has been placed in fiscal emergency. 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 2009-001 and 2009-002 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 finding 2009-001 to be a material weakness.

### **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 2009-003 and 2009-004.

We noted certain matters that we reported to management of the District, in a separate letter dated March 12, 2010.

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.

*Clark, Schaefer, Hackett ; Co.*

Springfield, Ohio  
March 12, 2010

## **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, 2009. 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 2009-005, 2009-006, 2009-007 and 2009-008 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding earmarking, procurement and reporting 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, 2009.

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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 2009-005, 2009-006, 2009-007 and 2009-008 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 2009-005, 2009-006, 2009-007 and 2009-008 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 12, 2010

Jefferson Township Local School District  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2009

**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 2009-001**

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. In January 2009, the District implemented procedures to begin properly reconciling their accounting records to the bank statements provided by the respective financial institutions. Prior to the date of the audit report the District had identified all but \$29,381 of the unreconciled balance from prior years. Based on discussions with the District and the Auditor of State's office, it was determined that the unreconciled balance and any differences in the general ledger of the District to the financial reports should be adjusted in the fiscal year 2009 financial statements. The net effect of the differences between the unidentified balance and the prior year financial statements were adjusted through restating beginning fund balance and net assets (See Note19). The adjustments have also 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.

#### 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. In addition, during the current audit, audit adjustments were required to properly report certain assets and liabilities including, capital assets, accumulated depreciation and capital leases.

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*

*For fiscal year 2010, cash reconciliations are being performed on a monthly basis, reconciling the general ledger to the bank balance.*

*For the fiscal year end of June 30, 2010, the District will be using the services of an outside vendor to perform an inventory of the District's assets, prepare an asset appraisal and upload the data into the District's accounting system. Procedures are now being developed to track asset additions and deletions subsequent to the appraisal date.*

*The above steps should eliminate the need for audit adjustments in the future.*

#### **Finding 2009-002**

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

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 14 instances out of 60 or 23%, where the fund and function on the contract/salary notice did not agree to the payroll register.

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*

*For fiscal year 2010, all contracts indicate the employee's pay (step) schedule. Additionally, the Treasurer's signature on the employee's salary notice indicates agreement of the employee's pay schedule to the employee's contract, the pay schedule agrees to the union agreement, the pay is calculated correctly and being charged to the correct fund and function (all of this information is maintained on a master spreadsheet by the Treasurer).*

**Finding 2009-003**

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:

- 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.
- The original certificate of estimated resources did not include any revenue sources other than the property tax estimates provided by the County Auditor. In addition, the unencumbered balance at July 1, 2008 on the original certificate had zero balances for all funds.
- Appropriations and estimated resources were not integrated into the District's accounting system
- Appropriations approved by the Board did not agree to the appropriations recorded in the accounting system.
- Changes were made to the appropriations recorded in the accounting system from month to month without a formal action by the Board.

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*

*For fiscal year 2010, the following have/are being done:*

- *The original certificate of estimated resources includes all revenue sources*
- *Appropriations and estimated resources have been integrated into the District's accounting system*
- *Appropriations approved by the Board agree to appropriations recorded in the accounting system*
- *Changes made to appropriations require Board approval before recording the change in the accounting system*

**Finding 2009-004**

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 one transfers from the permanent improvement fund to the debt service fund totaling \$32,092.

The District should implement procedures to ensure all transfers are made in accordance with the Ohio Revised Code.

*Management Response*

*No transfers have been made from the permanent improvement fund to the debt service fund since the transfer of \$32,092 cited in this finding. Procedures have been put into place to prevent this transfer from occurring in the future.*

**Section III – Federal Awards Findings and Questioned Costs**

**Finding 2009-005**

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*

*Procedures are now in place to document that at least 10% of the building allocations for Title I monies are spent on professional development.*

**Finding 2009-006**

34 CFR part 85 section 110 prohibits entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration.

During testing of the Title I program it was noted that the District did not have policies and procedures in place that require staff make determinations that entities receiving subawards or that vendors provided goods and services under the award have not been suspended or debarred.

The District should adopt policies and procedures that require management to review disbursements for compliance with Federal procurement policies and require staff to ensure vendors are not included on the EPLS prior to payment for goods or services.

*Management Response.*

*Procedures are being developed for staff to check the Excluded Parties List System (EPLS) prior to the issuance of a Purchase Order to a vendor for Title I services. This will ensure the District is not contracting with parties, or their principals, whom are suspended or debarred.*

**Finding 2009-007**

The No Child Left Behind Act (NCLB) requires school district's in their second year of school improvement to provide supplemental educational services (SES). The amount expended for supplemental educational services must equal 20 percent of its allocation.

During an examination of the Title I budget it was noted that the District had allocated an amount equal to the number of students electing to receive SES multiplied by the per pupil amount. However, this amount does not equal the 20 percent minimum, therefore, the benchmark to determine progress in meeting the 20 percent minimum was not sufficient. As a result, the District only spent \$19,110 of the \$62,345 required for the 2009 grant period.

The District should implement procedures to ensure that the budget properly earmarks the amount to be spent on supplemental educational services.

*Management Response*

*Procedures are now in place to document that at least 20% of Title I allocations are budgeted for supplemental educational services (SES).*

**Finding 2009-008**

The Title I Consolidated Application provides the school districts will make reports to the Ohio Department of Education. One of the reports that is required to be submitted is the Final Expenditure Report (FER). The FER is to be submitted for each project immediately after all financial obligations have been liquidated but no later than 90 days after the end of the project period. The amounts reported on the FER should be supported by the accounting records that support the audited financial statements.

During an examination of the FER, differences were noted between the amounts reported on the FER and actual expenditures reported in the District's accounting records. Failure to report accurate amounts on the FER could cause a delay in approval of any unexpended portion of the current year allocation as carryover funds.

The District should implement review procedures to ensure that amounts reported on the final expenditure report are in agreement with the accounting records of the District.

*Management Response*

*Procedures are now in place to ensure that amounts reported on the Final Expenditure Report (FER) agree to the accounting system.*



Jefferson Township Local School District  
Summary of Prior Audit Findings and Questioned Costs  
Fiscal Year Ended June 30, 2009

**Finding 2008-001** – internal control weaknesses in preparation of financial statements in accordance with GAAP, cash reconciliations and capital assets. Repeated as finding 2009-001.

**Finding 2008-002** – no payroll review procedures to identify unusual matters in payroll. Corrected.

**Finding 2008-003** – personnel files were not complete and did not maintain current certification documentation. Corrected.

**Finding 2008-004** – salary notices and employee contracts were not reviewed for accuracy and not reconciled to payroll register. Repeated as finding 2009-002.

**Finding 2008-005** – delinquent payment on TAN. Corrected.

**Finding 2008-006** – no monitoring of district cell phones or credit cards. Corrected.

**Finding 2008-007** – no review of travel reimbursement requests. Corrected.

**Finding 2008-008** – noncompliance with Ohio Admin. Code section 117-2-02(C)(1) and Ohio Rev. Code section 5705.36 and 5705.39. Not corrected, repeated as finding 2009-003.

**Finding 2008-009** – noncompliance with Ohio Rev. Code section 5705.412. Corrected.

**Finding 2008-010** – noncompliance with Ohio Rev. Code section 5705.41(D). Partially corrected, repeated as management letter comment.

**Finding 2008-011** – noncompliance with Ohio Rev. Code sections 5705.14 and 5705.16. Not corrected, repeated as finding 2009-004

**Finding 2008-012** – noncompliance with Ohio Admin. Code section 3301-92. Corrected

**Finding 2008-013** – improper disposition of the budget stabilization reserve. Corrected.

**Finding 2008-014** – unallowable costs noted in the Title I program. Corrected.

**Finding 2008-015** – project cash requests for the Title I program did not agree to District records. Corrected.

**Finding 2008-016** – noncompliance with targeted assistance eligibility requirements of the Title I program. Corrected.

**Finding 2008-017** – District did not set aside 10% of the Title I allocation for professional development as required. Not corrected, repeated as finding 2009-005.

**Finding 2008-018** – District did not maintain documentation to substantiate personnel charged to the Title I program were highly qualified. Corrected.

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Education  
Jefferson Township Local School District:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Jefferson Township Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board had adopted an anti-harassment policy.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment of any student on school property or at school-sponsored events;
  - (2) A procedure for reporting prohibited incidents;
  - (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (4) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” Stat. 571, 20 O.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.
  - (5) A procedure for documenting any prohibited incident that is reported;
  - (6) A procedure for responding to and investigating any reported incident;

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- (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A statement prohibiting intimidation or bullying of any student on school property or at school-sponsored events;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the semi-annual written summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 12, 2010





**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  
MAY 6, 2010**