Dave Yost • Auditor of State

Jefferson Township Local School District

Montgomery County, Ohio

Fiscal Emergency Termination

Local Government Services Section

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Jefferson Township Local School District
Montgomery County

Fiscal Emergency Termination

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CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Jefferson Township Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Jefferson Township Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Jefferson Township Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code is in the process of being implemented and it is reasonably expected that this implementation will be completed within two years, and that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Jefferson Township Local School District Financial Planning and Supervision Commission and its role in the operation of the Jefferson Township Local School District is terminated as of April 14, 2011.

Accordingly, this report is hereby submitted to the Jefferson Township Local School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Karl L. Keith, Montgomery County Auditor, and Deborah S. Delisle, State Superintendent of Public Instruction.

At the time of termination the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of the implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Dave Yost

DAVE YOST
Auditor of State

April 14, 2011

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Report on Termination of the Jefferson Township Local School District
Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Jefferson Township Local School District (the Commission), Montgomery County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

Effective May 9, 2003, the Department of Education declared the Jefferson Township Local School District (the School District) to be in a state of Fiscal Caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2003 and 2004.

The Auditor of State declared the School District in fiscal watch on February 9, 2004. This declaration was based upon the failure to submit a written proposal for eliminating the anticipated deficits that prompted the declaration of fiscal caution and preventing the School District from experiencing further fiscal difficulties. Upon reviewing the School District's five-year forecast filed with the Department of Education on October 24, 2003 which included deficits for the fiscal years ending June 30, 2004 and 2005, the Auditor of State found the Department of Education's request that the School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit an initial financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. The statute further requires that the financial plan be updated and submitted annually while the school district is in fiscal watch. A school district that fails to submit an acceptable initial plan or the required annual update is to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Jefferson Township Local School District Board of Education failed to submit an acceptable updated recovery plan to the Superintendent of Public Instruction. Accordingly, the Auditor of State declared the School District to be in a state of Fiscal Emergency under section 3316.03(B)(2) of the Ohio Revised Code on August 11, 2008. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;

2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;

3. The objectives of the financial recovery plan are being met; and,

4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 - Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Jefferson Township Local School District and issued a Report on Accounting Methods, dated February 11, 2010. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Financial Accounting Report. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The School District should update its policy manual regarding its budgetary process. The manual should include policies that are designed to comply with Ohio Budgetary Law including the level at which the Board adopts appropriations and the control over the allocation/re-allocation of appropriation amounts. The policies need not restate the statutory requirements. The policies should also require the Treasurer to report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board.

Implemented

- The School District adopted changes to its policy manual regarding its budgetary process to comply with Ohio Budgetary Law. References to statutory requirements are included within the policy as well as the School Board approved legal level of control on appropriations and the requirement for the Treasurer to report to the School board any occurrences of non-compliance with Ohio Budgetary Law and the corrective action.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer compares appropriations to estimated resources when preparing supplemental appropriations, but this comparison is not presented to the Board of Education. This comparison should be presented to the Board of Education at the time of a request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

In Process

- The Treasurer presented a comparison of appropriations to estimated resources to the Board for fiscal year 2010; however, the comparison was not presented for the fiscal year 2011.

Auditor of State Comment from Report on Accounting Methods:

- Appropriations are posted in the system prior to receiving the certificate from the county auditor indicating that appropriations are within estimated resources. Appropriations should be posted in the system when they become effective, which is upon receipt from the county auditor of the certificate indicating that appropriations are within estimated resources.

Implemented

- The appropriations shown in the School District's accounting system correspond to the amounts appearing in the appropriations resolutions adopted by the Board and filed with the County Budget Commission. Due to the long time lag in receiving a certificate from the county auditor, the School District must post the Board approved appropriations before the certificate is received.

Auditor of State Comment from Report on Accounting Methods:

- Final appropriations for fiscal year 2009 were approved by the Board of Education in total by fund-type rather than by fund. Appropriations should be presented and approved at least at the minimum legal level of control required by Ohio Administrative Code Section 117-6-02. Also, the Board of Education should request substantiation of any appropriation amendments before they are approved.

In Process

- Permanent appropriations for fiscal year 2011 were submitted to the Board by fund. The Board has not requested substantiation of appropriation amendments due to the fact no supplemental amendments have been requested to date in fiscal year 2011.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not print reports from the system and compare estimated resources and appropriations to the official documents certified by the budget commission. The Treasurer should ensure that estimated resources and appropriations in the School District's accounting system are entered properly and tie to the appropriate Official Certificate of Estimated Resources and permanent appropriations passed by the Board of Education and certified by the county budget commission.

Implemented

- The Treasurer prints reports from the system and ensures that estimated resources and appropriations in the School District's accounting system are entered properly and agree with the appropriate Amended Official Certificate of Estimated Resources and permanent appropriations passed by the Board of Education and certified by the county budget commission.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have written procedures for the receipt and recording of revenues. Documented procedures for the receipt and recording of revenues should be prepared by the Treasurer and given to all departments involved in the receipt and processing of revenues. These procedures should be filed in the Treasurer's office and reviewed at least annually.

Implemented

- The Treasurer prepared written procedures on the receipt and recording of revenues for the School District and they are on file in the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods:

- The Board of Education currently does not approve the prices of ala carte items, adult lunches, and admission to athletic events. The Board of Education should pass a resolution each fiscal year approving these prices and any other fees to be charged.

Implemented

- The Board of Education passed a motion instead of a resolution (see Recording Official Proceedings comment) on August 9, 2010 approving the prices of ala carte items, adult lunches, and admission to athletic events for fiscal year 2011.

Auditor of State Comment from Report on Accounting Methods:

- Daily worksheets and daily sales reports are not being reconciled. The Head Cook should verify that the daily worksheets match the daily sales reports and sign them to confirm this has been completed. Periodically, the Lunchroom Manager should compare the daily sales reports to the deposit slips.

Implemented

- Daily worksheets and daily sales reports are now reconciled and signed by the Head Cook to indicate they have been reviewed. Daily worksheets are compared to the deposit slips.

Auditor of State Comment from Report on Accounting Methods:

- The Board of Education currently does not review or approve grant applications before they are submitted. Grant applications should be presented with program costs and local share information and the Board should pass a resolution approving any grant applications before they are submitted.

Implemented

- The Board of Education passed a motion instead of a resolution (see Recording Official Proceedings comment) on July 12, 2010, approving the fiscal year 2011 grant applications before submission to Ohio Department of Edcuation.

Auditor of State Comment from Report on Accounting Methods:

- Currently, only the Treasurer, Assistant to the Treasurer, Athletic Director, and Head Cook are bonded. All employees handling cash should be bonded to insure the School District against a theft. This includes the lunchroom cashiers.

Implemented

- The Treasurer is the only employee that needs to be bonded. All other employees are covered under the School District's liability policy.

Auditor of State Comment from Report on Accounting Methods:

- The Board of Education should incorporate a written policy on fundraisers into the student activities policies. A Potential Sales Form should be completed by the project advisor before the start of the project and it should be signed by the building Principal and Superintendent. At the completion of the sale, a form should be completed documenting the actual receipts, expenditures, and total profit. Each advisor doing a fundraiser should issue duplicate receipts for any money received.

In Process:

- The School District has drafted a policy addressing fundraisers. Potential Sales Forms are being completed by the respective advisor and approved by the building Principal and the Superintendent.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District does not perform a search of the Auditor of State's Findings for Recovery website when entering into contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved.

Implemented:

- The School District now performs a search of the Auditor of State's Findings for Recovery website when entering into contracts.

Auditor of State Comment from Report on Accounting Methods:

- The Board does not currently sign off on "Then and Now" certifications/purchase orders in excess of $3,000. Section 5705.41(D), Revised Code, allows the fiscal officer to certify and pay obligations of less than $3,000 and the Board, by resolution, to authorize payment for amounts greater than $3,000.

In Process:

- The Board passes motions instead of resolutions (see Recording Official Proceedings comment) for the use of "Then and Now" certifications/purchase orders in excess of $3,000.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer obtains new vendor information but does not have potential vendors complete an IRS Form W9. IRS Form W9, or a suitable substitute for the form, should be completed and signed by the new vendors and kept on file in the Treasurer's office.

Implemented:

- An IRS Form W9 is now completed and signed by new vendors and kept on file in the Treasurer's office.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received, when an invoice exceeds the purchase order/fiscal officer certification of funds, and the use of "Then and Now" certifications. The document should be kept on file in the Treasurer's office.

Implemented:

- The School District adopted procedures for cash disbursements.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not usually receive the packing slip from the employee that received the goods. After verification of the goods received, the employee should send the packing slip to the Treasurer.

Implemented:

- The Treasurer now receives all packing slips when available. Each packing slip is filed with the invoice and purchase order once payment is made.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods:

- The majority of employees receive their compensation by direct deposit. A small number of employees receive checks. The School District should include a requirement for direct deposit for all employees in the negotiated agreements.

Implemented:

- All School District employees now receive their compensation by direct deposit.

Auditor of State Comment from Report on Accounting Methods:

- The supervisor or Principal and Superintendent approve leave request sheets. Employee leave request forms are being approved without verifying the available leave balances for each employee. The supervisor or Principal and Superintendent should not approve leave request sheets without first confirming that the leave requested is available to employees. The building secretaries may be used to verify existing leave before supervisor approval.

Implemented:

- The School District implemented an Employee Kiosk system during August 2010 which allows all leave requests to be completed and approved online. It also shows the leave balances. Staff was trained on the system prior to the start of fiscal year 2011.

Auditor of State Comment from Report on Accounting Methods:

- Final pay and severance for terminated employees are calculated by the Assistant to the Treasurer. The Treasurer should be reviewing the final pay and severance calculation as well as verifying that terminated employees are marked inactive in the system once they have received their final pay.

Implemented:

- The Treasurer now reviews all final severance payments and ensures that they are marked inactive in the system.

Capital Assets and Supplies Inventory

Auditor of State Comments from Report on Accounting Methods:

- The Board does not have a capitalization threshold. The School District should periodically review and update their capitalization threshold. The Board should approve changes in capitalization thresholds by resolution. The School District should set the capitalization threshold at a level that accounts for the majority of capital assets. A level of $500 to $1,000 would be appropriate. A listing of non-capitalized assets should also be maintained as a record of insurable assets and to maintain physical accountability of those assets as well.

<u>In Process:</u>

- The School District contracted with American Appraisal Company to do a physical count of non-capitalized and capitalized assets, using a set dollar amount as the threshold. The Board has adopted a policy for capital assets, including a capitalization threshold.

<u>Auditor of State Comments from Report on Accounting Methods:</u>

- The School District's capital assets policy does not provide guidance regarding the disposal of capital assets. The capital assets policy should provide guidance on the disposal of capital assets.

<u>Implemented:</u>

- The School District adopted a capital assets policy to include disposals.

<u>Auditor of State Comments from Report on Accounting Methods:</u>

- The School District should use forms to document the purchase, disposal, and transfer of existing assets in order to track their location more efficiently.

<u>Implemented:</u>

- The School District adopted a capital assets policy that includes the use forms to document the purchase, disposal, and transfer of existing assets in order to track their location more efficiently.

<u>Auditor of State Comments from Report on Accounting Methods:</u>

- The capital assets policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students).

<u>Implemented:</u>

- The School District adopted a capital assets policy that address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students).

<u>Auditor of State Comments from Report on Accounting Methods:</u>

- The School District needs to maintain accountability for non-capitalized assets. The process for the verification of the existence of these assets should occur at least every two years.

<u>Implemented:</u>

- The School District contracted with American Appraisal Company to do a physical count of non-capitalized and capitalized assets and now maintains accountability for non-capitalized assets. The adopted capital assets policy requires that the School District perform a physical count at least every two years.

Auditor of State Comments from Report on Accounting Methods:

- The School District should adopt consumable inventory procedures. The procedures should include a review process to ensure that the value assigned to each item is consistent with the valuation method used for external reporting.

Implemented:

  - The School District adopted a policy that establishes consumable inventory procedures.

Auditor of State Comments from Report on Accounting Methods:

- As an additional verification of the existence of capital assets and to prevent theft or loss and to confirm the accuracy of the capital asset records, a physical inventory of capital assets should be taken by the School District every one or two years.

Implemented:

  - The School District contracted with American Appraisal Company to do a physical count of non-capitalized and capitalized assets. The School District has updated its capital assets policy to take a physical inventory of capital assets every two years.

Auditor of State Comments from Report on Accounting Methods:

- The School District's capital assets policy does not identify which individual assets whose value is under the capitalization threshold should be tracked for insurance purposes only. The various departments currently decide which assets should be tracked. The School District's capital assets policy should identify which individual assets should be tracked for insurance purposes only to allow for uniform implementation among departments.

Implemented:

  - The School District adopted a capital assets policy that identifies which individual assets whose value is under the capitalization threshold should be tracked for insurance purposes only.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The bank reconciliation completed by the Treasurer is showing a variance of over $30,000. All variances and reconciling items should be documented and posted upon completion of the reconciliation. The reconciliation should be completed using State software to minimize errors. Also, the Board of Education currently reviews bank balances, but not monthly bank reconciliations. They should review monthly bank reconciliations, including any adjusting factors.

Implemented:

- The variance was adjusted with Board approval and audit approval. The Treasurer now provides the monthly bank reconciliations at each monthly board meeting.

Auditor of State Comment from Report on Accounting Methods:

- A check was written out of the Athletics Fund to the Athletic Director for petty cash used at athletic events. The School District should follow its petty cash funds policy which states that the Board of Education shall adopt a resolution to establish a petty cash fund for the athletics department. The resolution should specify the maximum amount to be placed in the fund and the maximum amount of any single expenditure from the fund. Also, the Treasurer should designate a custodian of the fund and when reimbursements are made to the fund, documentation of expenditures should be provided to the Treasurer.

Not Implemented:

- The Board has not adopted a resolution to establish a petty cash fund for the athletics department.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- In accordance with Section 117.38, Revised Code, the School District should publish in a local newspaper that the financial report is available for public inspection at the office of the Treasurer. The public notice may read as follows:

> The (name of the annual financial report) of the Jefferson Township Local School District for the year ended (date) has been completed and is available for public inspection in the office of the Treasurer at (address) between (office hours). A copy of the report can be provided upon request.

Implemented:

- The School District published a legal notice in the Dayton Daily News that the financial report was available for public inspection.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods:

- The Board of Education approves most items through motions rather than formal resolutions. The Board of Education and the Treasurer should review current practices with legal counsel, discuss proper content and format for resolutions, and what actions can be approved by motions and what actions should be approved by resolutions.

In Process:

- The Board of Education's use of motion and resolutions is inconsistent and at times improper. For example, the minutes of the Board of Education reference the passage of a resolution for entering executive session and to adjourn a meeting. In addition, appropriation measurers and the approval of then and now certifications a made by motion rather than resolution as required by statute.

  A motion is a proposal made under formal parliamentary procedures and is action by the board of education not required by law to be taken by resolution. Motions are used for procedural matters such as accepting the minutes, adjournment, and deciding to pass a resolution. Motions require a majority vote of the members present.

  A resolution is a formal expression of an opinion, intention, or decision by the Board of Education which becomes the regulation of the Board of Education. A resolution is a separate legal document that contains the phrases "Whereas" and "Be It Resolved." Resolution are typically used to adopt policies and regulations, approve contracts, purchase and sell land, buildings or equipment, appropriate funds, and transfer money.

  The Board of Education and Treasurer should obtain guidance from legal counsel to ensure the minutes are "full and accurate," that motions are properly reference along with the related votes of the present Board Members, that resolutions are properly referenced and used when required by statute, and that the resolution are in proper legal form and signed by the appropriate officials.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements for the fiscal year ended June 30, 2010, on March 15, 2011. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. These documents disclosed non-compliance issues with State laws, regulations, contracts, and grant requirements relating to the audit for fiscal year 2010. The letters identified errors in preparation in GAAP statements, non-compliance issues with Amercian Recovery and Reinvestment Act Reporting, and Budgetary law. The management letter for fiscal year 2010 included a recommendation on the capital asset appraisal report being incorporated in the School District's capital asset software.

The School District, however, has corrected or is in the process of correcting the issues identified in the compliance and management letters; therefore, the Auditor of State has concluded that the issues identified in the Compliance and Management letters do not require that the School District's release from fiscal emergency be delayed.

Section 2 - Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.

2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.

3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.

4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,

5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.

2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.

3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Section 3 - Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District, dated November 23, 2009. The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.

2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.

Actions taken to achieve the provisions of the plan include the following:

1. Continued monitoring of operating expenditures;

2. Continued monitoring of personnel; and

3. Continued preparation by the School District of monthly reports of receipts, expenditures, and encumbrances, monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education.

Section 4 – Five-Year Forecast

The Auditor of State examined the School District’s financial forecast for the fiscal years ending June 30, 2011 through 2015, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School Districts’ five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2015. The Auditor of State, in a report dated February 22, 2011, rendered a “nonadverse” opinion on the financial forecast.

Section 5 - Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;

2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;

3. The School District has met the major objectives of the Financial Recovery Plan; and,

4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Jefferson Township Local School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

Jefferson Township Local School District

Montgomery County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2011 through June 30, 2015

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Jefferson Township Local School District – Montgomery County

Fiscal Emergency Termination

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Dave Yost • Auditor of State

Board of Education
Jefferson Township Local School District
2625 S. Union Road
Dayton, OH 45417

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Jefferson Township Local School District for the fiscal years ending June 30, 2011 through 2015. The Jefferson Township Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The actual statement revenues, expenditures, and changes in fund balance of the general fund for the fiscal years ended June 30, 2008, 2009 and 2010 were compiled by us. We have not audited or reviewed this information and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial information in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial information. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified

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Public Accountants. The objective of a compilation is to assist management in presenting financial information without undertaking to obtain or provide any assurance that no material modifications should be made to the financial statements. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Dave Yost

DAVE YOST
Auditor of State

February 22, 2011

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Jefferson Township Local School District
Montgomery County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2008 Through 2010 Actual;
For the Fiscal Years Ending June 30, 2011 Through 2015 Forecasted
General Fund

	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Forecasted
Revenues				
General Property Tax	$2,405,000	$2,576,000	$2,708,000	$2,520,000
Tangible Personal Property Tax	236,000	114,000	45,000	0
Unrestricted Grants-in-Aid	3,155,000	3,261,000	3,601,000	3,417,000
Restricted Grants-in-Aid	638,000	643,000	47,000	12,000
Restricted Federal Grants-in-Aid	0	0	239,000	258,000
Property Tax Allocation	627,000	852,000	978,000	994,000
All Other Revenues	776,000	610,000	646,000	600,000
Total Revenues	7,837,000	8,056,000	8,264,000	7,801,000
Other Financing Sources				
Proceeds from Sale of Notes	500,000	0	0	0
Solvency Assistance Advance	0	1,500,000	0	0
Sale of Capital Assets	0	0	130,000	0
Advances In	0	0	42,000	0
All Other Financing Sources	0	48,000	75,000	25,000
Total Other Financing Sources	500,000	1,548,000	247,000	25,000
Total Revenues and Other Financing Sources	8,337,000	9,604,000	8,511,000	7,826,000
Expenditures				
Personal Services	3,579,000	2,723,000	2,492,000	2,500,000
Employees' Retirement/Insurance Benefits	1,177,000	982,000	705,000	900,000
Purchased Services	2,780,000	2,714,000	2,650,000	2,521,000
Supplies and Materials	252,000	153,000	150,000	175,000
Capital Outlay	19,000	3,000	36,000	300,000
Debt Service:				
Principal - Solvency Assistance Advance	0	0	750,000	750,000
Principal - Other	0	500,000	0	0
Interest	0	14,000	0	0
Other Objects	1,040,000	1,027,000	1,049,000	991,000
Total Expenditures	8,847,000	8,116,000	7,832,000	8,137,000
Other Financing Uses				
Transfers Out	3,000	0	35,000	8,000
Advances Out	0	42,000	0	0
All Other Financing Uses	0	0	1,000	0
Total Other Financing Uses	3,000	42,000	36,000	8,000
Total Expenditures and Other Financing Uses	8,850,000	8,158,000	7,868,000	8,145,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(513,000)	1,446,000	643,000	(319,000)
Restatement of Fund Balance	0	0	(29,000)	0
Cash Balance July 1	482,000	(31,000)	1,415,000	2,029,000
Cash Balance June 30	(31,000)	1,415,000	2,029,000	1,710,000
Encumbrances and Reserves of Fund Balance				
Actual/Estimated Encumbrances June 30	4,000	98,000	283,000	62,000
Reserves for Capital and Maintenance	5,000	0	0	0
Total Encumbrances and Reserves of Fund Balance	9,000	98,000	283,000	62,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	(40,000)	1,317,000	1,746,000	1,648,000
Revenue from Renewal Levies				
Property Tax - Renewal	0	0	0	0
Cumulative Balance of Renewal Levies	0	0	0	0
Unencumbered/Unreserved Fund Balance (Deficit) June 30 with Renewal Levies	($40,000)	$1,317,000	$1,746,000	$1,648,000

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

Fiscal Year 2012 Forecasted	Fiscal Year 2013 Forecasted	Fiscal Year 2014 Forecasted	Fiscal Year 2015 Forecasted
$2,520,000	$2,403,000	$2,169,000	$1,872,000
0	0	0	0
3,246,000	3,246,000	3,246,000	3,247,000
10,000	10,000	10,000	10,000
129,000	0	0	0
924,000	830,000	732,000	621,000
550,000	550,000	550,000	550,000
7,379,000	7,039,000	6,707,000	6,300,000
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
25,000	25,000	25,000	25,000
25,000	25,000	25,000	25,000
7,404,000	7,064,000	6,732,000	6,325,000
2,700,000	2,727,000	2,754,000	2,782,000
990,000	994,000	1,030,000	1,070,000
2,572,000	2,604,000	2,638,000	2,686,000
200,000	225,000	250,000	275,000
309,000	187,000	243,000	95,000
0	0	0	0
0	0	0	0
0	0	0	0
500,000	400,000	400,000	400,000
7,271,000	7,137,000	7,315,000	7,308,000
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
7,271,000	7,137,000	7,315,000	7,308,000
133,000	(73,000)	(583,000)	(983,000)
0	0	0	0
1,710,000	1,843,000	1,770,000	1,187,000
1,843,000	1,770,000	1,187,000	204,000
62,000	62,000	62,000	62,000
0	0	0	0
62,000	62,000	62,000	62,000
1,781,000	1,708,000	1,125,000	142,000
0	143,000	429,000	790,000
0	143,000	572,000	1,362,000
$1,781,000	$1,851,000	$1,697,000	$1,504,000

Note 1 - The School District

The Jefferson Township Local School District (the "School District") is located in Montgomery County and is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates three instructional and support facilities. The School District is staffed by 30 full and part-time non-certified employees, 40 certified full-time teaching personnel, and eight administrators, who provide services to 454 students and other community members.

On August 11, 2008, the School District was declared to be in a state of "Fiscal Emergency" under Section 3316.03(B)(2) by the Auditor of State. This declaration was due to the School District's declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Montgomery County Auditor. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Jefferson Township Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 22, 2011, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance fund, state fiscal stabilization fund, education jobs fund, and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

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

B. - Fund Accounting

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

Governmental Funds

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

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

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

Capital Projects Funds - Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital assets (other than those financed by proprietary funds).

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

Proprietary Funds

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

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

Fiduciary Funds

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

C. - Budgetary Process

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

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

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

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

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

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2011 (the collection year) for real and public utility property taxes represents collections of 2010 taxes (the tax year). Property tax payments received during calendar year 2011 for tangible personal property (other than public utility property) are for delinquent taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

Prior to fiscal year-end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances in June against the next fiscal year's scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to request any such advances for fiscal years 2011 through 2015.

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

Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (per $1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	$6.60
Continuing Operating	1976	n/a	n/a	25.80
Continuing Operating	1981	n/a	n/a	7.00
Operating/Renewal (1990)	2009	2010	2014	9.50
Operating/Renewal (1992)	2007	2008	2012	5.50
Operating/Renewal (1998)	2008	2009	2013	5.50
Continuing Operating	2008	2009	n/a	5.00
Total Tax Rate				$64.90

The School District has a permanent improvement levy in the amount of $2.00 per $1,000 of assessed valuation. The School District's total tax rate is $66.90 per $1,000 of valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is $31.77 per $1,000 of assessed valuation and the effective commercial and industrial real property tax rate is $43.78 per $1,000 of assessed valuation for collection year 2011.

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

General Property Tax - General property tax revenues are based upon anticipated assessed valuations and existing tax levies. Due to current economic conditions and the outlook in Montgomery County, no increases or decreases in assessed values are anticipated for the forecast periods. Montgomery County estimates that 90 percent of tax revenues will be collected.

Beginning in fiscal years 2013, 2014 and 2015, property taxes are anticipated to decrease due to the expiration of three operating levies. While the School District anticipates renewing these levies, voter approval is uncertain and the tax revenues have been excluded from the revenue section and presented under the heading Revenue from Renewal Levies.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected since calendar year 2009 from general business taxpayers and no tangible personal property tax on telephone property has been collected since calendar year 2010. The School District, based on the last year of collections before the phase out period, lost approximately $696,000, annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below). The decrease in revenue during fiscal year 2010 and 2011 is a result of the tax changes.

B. - Unrestricted Grants-in-Aid

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

The per pupil amount for fiscal years 2008 to 2009 are as follows:

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

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 22 mills for fiscal years 2010 and 2011, 21 mills for fiscal years 2012 and 2013 and 20 mills for fiscal year 2014.

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount are phased in over a five year period. In addition, school districts are guaranteed 98 percent of prior year's State Foundation aid for the current fiscal year. For fiscal year 2011, the School District estimates $3,389,000 in adequacy funding and $28,000 in guarantee funding.

In fiscal year 2011, approximately seven percent of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see D - Restricted Federal Grants-in-Aid).

The State funding for schools is based on several factors all, of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2011 will be set as part of the State's biennial budget for fiscal years 2012 and 2013. Due to the economic conditions within the State and the anticipated short fall in tax revenues in the next bi-annual budget, the level at which the State will fund schools is uncertain. The School District has assumed a 5 percent decrease in unrestricted grants-in-aid based on the economic conditions within the State and the anticipated short fall in State tax revenues. If the State decreases funding for schools in fiscal years 2012 and 2013 and the same level continues through fiscal year 2015, the decrease will have a material effect on this forecast. A decrease in State funding equal to one percent of the School District's foundation revenue would decrease unrestricted grants-in-aid by $32,000 for fiscal year 2012 and for each fiscal year thereafter. The cumulative effect on fund balance in fiscal year 2015 is a decrease of $128,000.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of career tech monies. The anticipated revenues for fiscal years 2011 through 2015 are based on estimates obtained from the Ohio Department of Education.

D. - Restricted Federal Grants-in-Aid

Restricted Federal grants-in-aid consist of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated $845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The Jefferson

Township Local School District, based on estimates provided by the Department of Education, anticipates $258,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries. SFSF has not been reauthorized by the Federal government; therefore, SFSF is not included in the five-year forecast beyond fiscal year 2011.

In 2010, Congress passed, and the President has signed, legislation that provides $10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. The Jefferson Township Local School District, based on estimates provided by the Department of Education, anticipates $129,000 and will expend the entire grant in fiscal year 2012. These funds have limited restrictions on their use. The School District has chosen to use these funds in fiscal year 2012 for salaries and benefits for teachers.

E. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first $25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback is expected to decrease in fiscal years 2013 through 2015 due to expiration of three levies during that time. While the School District anticipates renewing these levies, voter approval is uncertain and the tax revenues have been excluded from the revenue section and presented under the heading Revenue from Renewal Levies.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District is fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Beginning in fiscal year 2014, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the School District anticipates receiving a steadily declining reimbursement for the tangible personal property tax losses until fiscal year 2014 when the amount begins to decline drastically, due to a phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

Property tax allocation revenues consist of the following:

	Forecasted				
Revenue Sources	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Homestead and Rollback	$562,000	$562,000	$536,000	$484,000	$420,000
Tangible Personal Property Loss Reimbursements	432,000	362,000	294,000	248,000	201,000
Totals	$994,000	$924,000	$830,000	$732,000	$621,000

F. - All Other Revenues

All other revenues include tuition, interest, rental income, donations, reimbursements and other revenues.

The School District receives open enrollment and other tuition for students attending the School District under open enrollment for regular and special education. Open enrollment and other tuition revenue is expected to remain relatively steady throughout the forecast period.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the General Fund. The School District anticipates no significant change in interest or interest rates during the forecast period.

Other revenue consists of various reimbursements, miscellaneous receipts, and student fees received by the School District. Other revenue is anticipated to decrease from fiscal year 2011 to 2012. The School District is anticipating a loss in reimbursement for the Curriculum Director from the Montgomery County Educational Service Center in fiscal year 2012. All other revenues are anticipated to remain consistent during the rest of the forecast period.

All other revenue consists of the following:

	Forecast				
Revenue Sources	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Open Enrollment and Other Tuition	$551,000	$545,000	$545,000	$545,000	$545,000
Interest on Investments	3,000	3,000	3,000	3,000	3,000
Rentals	1,000	1,000	1,000	1,000	1,000
Other Revenue	45,000	1,000	1,000	1,000	1,000
Totals	$600,000	$550,000	$550,000	$550,000	$550,000

G. - Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2008, the School District issued $500,000 in tax anticipation notes at a 4.25 percent interest rate. The notes were due on June 26, 2008; however, the School District defaulted on the notes. The notes were paid off with tax revenue in July, 2008.

Solvency Assistance Advance – During fiscal year 2009, the School District received a Solvency Assistance Fund Advance in the amount of $1,500,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advance will be repaid over two years from State foundation revenues.

Advances In – The School District is not anticipating any advances during the forecast period. In fiscal year 2010, outstanding advances were repaid in full.

All Other Financing Sources – This represents refund of prior year expenditures. The School District does not anticipate any significant changes during the forecast period.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Staffing levels for the current and last four fiscal years are as follows:

	2008	2009	2010	2011
General Fund:				
Certified	52	39	35	36
Classified	29	19	16	19
Total General Fund:	81	58	51	55
Other Funds:				
Certified	7	10	12	10
Classified	9	8	15	13
Total Other Funds:	16	18	27	23
Totals	97	76	78	78

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covered the period July 1, 2008 through June 30, 2010. The School District and the union have agreed to continue operating under the current contract, including the salary schedule, through June 30, 2011. The forecasted salaries beyond fiscal year 2011 include step increases, but no base salary increases. In the past three fiscal years, salary increases were limited to step increases that ranged from 2.4 percent to 4.9 percent, depending on years of service. The forecasted salaries include the same step increases. Administrative staff salaries are set by the Board of Education. Certified salaries for fiscal year 2012 are forecasted to increase from fiscal year 2011 by $200,000. This is mainly due to the addition of five certified employees that will begin being paid from the general fund as a result of the elimination of grant monies received by the School District in fiscal year 2012.

Classified salaries are based on a negotiated contract which includes step increases. The contract covered the period July 1, 2008 to June 30, 2010. The School District has agreed to continue operating under the current contract, including the salary schedule, through June 30, 2011. The contract allows for step increases ranging from 1.2 to 6.2 percent in each year of the contract. Classified salaries are expected to increase from fiscal year 2011 to fiscal year 2012 due to step increases. Classified salaries will remain fairly constant from fiscal year 2013 to fiscal year 2015, due to majority of employees reaching their maximum step.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS and SERS. During fiscal year 2011, the School District has one certified employee that will retire. For fiscal years 2012 through 2015, one certified employee is expected to retire. The School District offers severance pay to its retiring employees of one-fourth of their accumulated sick leave to a maximum accumulation of 59 days paid, depending on years of service. Severance payments are expected to be minimal through the forecast period.

Supplemental contracts are expected to remain constant during the forecast period due to employees reaching their maximum step, as well as a reduction of an assistant basketball coach in fiscal year 2011.

Presented below is a comparison of salaries and wages for fiscal years 2011 through 2015.

	2011	2012	2013	2014	2015
Certified Salaries	$1,702,000	$1,876,000	$1,902,000	$1,929,000	$1,957,000
Classified Salaries	601,000	614,000	615,000	615,000	615,000
Supplemental Salaries	191,000	204,000	204,000	204,000	204,000
Board Compensation	6,000	6,000	6,000	6,000	6,000
Totals	$2,500,000	$2,700,000	$2,727,000	$2,754,000	$2,782,000

B. - Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits of employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from a variance in estimates are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent, principals, and treasurer. Retirement costs are forecasted to increase based on the changes in forecasted salaries over the next five fiscal years.

In years past, the employer contribution to SERS has been paid six months in arrears in Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the School District to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years, adding this to the current payment. Jefferson Township Local School District has chosen option two, which will increase their annual payment by $8,000 per year. The total arrearage amount is $47,000.

Health care costs are on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The School District participates in a traditional health plan. The School District pays a percentage of the premiums based on the negotiated contracts for both certificated and classified employees. For certificated employees, the School District pays 80 percent of the premium and employees pay the remaining 20 percent. For classified employees, the percentage paid by the School District on premiums depends on the classification of the employee and ranges from 40 to 80 percent with the employees paying the remaining amount. The School District will experience an increase in health insurance costs due to rising rate increases through the forecast period. A 10 percent increase in premiums is expected each year for health care costs.

The monthly health care payments for fiscal year 2011 are as follows:

	Effective 10/01/10			
	Single		Family	
	Board Share	Employee Share	Board Share	Employee Share
Certified	$352.08	$88.02	$881.78	$220.44
Classified (Class A)	352.08	88.02	881.78	220.44
Classified (Class B)	272.86	167.24	683.38	418.84
Classified (Class C)	176.04	264.06	440.89	661.33

The School District also pays the same percentages for dental insurance for certificated and classified employees as the Board pays for health insurance and 100 percent of the premiums for life insurance. Dental insurance is expected to increase by 4.75 percent each year throughout the forecast period. Life insurance premiums are expected to remain constant throughout the forecast period.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District pays 100 percent of the premium in May. The worker's compensation rate decreased for fiscal year 2011. The School District does not anticipate any significant changes to the workers' compensation premiums throughout the forecast period. Workers' compensation costs are forecasted to increase based on the changes in forecasted salaries over the next five fiscal years.

Medicare for the School District is 1.45 percent of salaries of employees hired after March 31, 1986. In the forecast period, Medicare is estimated to increase each fiscal year due to an increase in salaries.

Although the unemployment payments have not been consistent in previous years, it is forecasted to remain steady throughout the forecast period. The School District has seen a rise in unemployment costs in fiscal year 2011 not only from new non-renewed employees from fiscal year 2010 but from extension on unemployment benefits to prior employees from the last five years.

Presented below is a comparison for the forecasted period.

	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
SERS Retirement	$132,000	$137,000	$138,000	$138,000	$138,000
STRS Retirement	280,000	332,000	304,000	306,000	309,000
Workers' Compensation	29,000	32,000	32,000	32,000	33,000
Medical Insurance	268,000	295,000	324,000	357,000	393,000
Other Employee Insurance	16,000	16,000	17,000	18,000	18,000
Medicare	35,000	38,000	39,000	39,000	39,000
Unemployment	140,000	140,000	140,000	140,000	140,000
Total	$900,000	$990,000	$994,000	$1,030,000	$1,070,000

C. - Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2011 through 2015:

	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Professional and Technical Services	$256,000	$261,000	$266,000	$271,000	$277,000
Property Services	134,000	139,000	143,000	147,000	151,000
Travel and Meeting Expenses	3,000	3,000	3,000	3,000	3,000
Communication Costs	13,000	13,000	14,000	14,000	15,000
Utility Services	274,000	288,000	305,000	321,000	353,000
Tuition and Other Similar Payments	1,808,000	1,835,000	1,838,000	1,845,000	1,850,000
Pupil Transportation	29,000	29,000	30,000	32,000	32,000
Other Purchased Services	4,000	4,000	5,000	5,000	5,000
Totals	$2,521,000	$2,572,000	$2,604,000	$2,638,000	$2,686,000

Purchased services are expected to increase three percent each year of the forecast, with the exception of charges from utilities and tuition. Utilities are forecasted to increase by five percent each fiscal year thru fiscal year 2014. Additionally, utilities will increase by nine percent in fiscal year 2015. The larger increase in fiscal year 2015 is due to natural gas rates increasing from a locked rate thru fiscal year 2014. The forecasted price of natural gas will increase by 25 percent in fiscal year 2015. Tuition payments are forecasted to increase due to the number of students attending other districts and increase to Ed Choice students. For students living in the School District, but attending other schools (open enrollment) is expected to increase each fiscal year until the expected students in fiscal year 2015 remains constant.

D. - Supplies and Materials

The following table is a comparison of the supplies and materials expenditures for fiscal years 2011 through 2015:

	Forecast				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
General Supplies, Library Books and Periodicals	$30,000	$30,000	$30,000	$30,000	$30,000
Operations, Maintenance and Repair	63,000	63,000	63,000	63,000	63,000
Textbooks	82,000	107,000	132,000	157,000	182,000
Totals	$175,000	$200,000	$225,000	$250,000	$275,000

Expenditures for supplies and materials are forecasted to remain constant each year of the forecast, except for textbooks. The School District has waived the textbooks and instructional materials set-aside requirement in the past. Although the School District purchased textbooks and instructional materials while in fiscal emergency, the expenditures were below the requirement. An increase of $25,000 each fiscal year throughout the forecast is expected by the School District to increase qualified expenditures in the textbooks and instructional materials set-asides.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. Capital outlay expenditures consist of minor equipment replacements, repairs, renovations, and school buses for the forecast period. The School District is anticipating the completion of several capital projects to School District buildings and grounds. The completion of restroom renovations is expected in fiscal year 2011. For fiscal years 2012 through 2015, the School District has plans to replace a roof on an elementary building, repave a parking lot, replace stained ceiling tiles, and repair restrooms. Also, the School District anticipates purchasing one new bus every fiscal year of the forecast. The Southwestern Ohio Educational Purchasing Council estimated the cost of a new bus for fiscal year 2011 to be approximately $75,000 with an increase of $5,000 each fiscal year of the forecast.

F. - Debt Service

General fund supported debt consisted of a tax anticipation note issued in fiscal year 2008 and a Solvency Assistance Fund Advance. The notes were due on June 26, 2008; however, the School District defaulted on the notes. The notes were paid off with tax revenue in July, 2008. The School District received a Solvency Assistance Fund Advance from the State in 2009 in the amount of $1,500,000. Half of the advance was repaid during fiscal year 2010. The remaining portion will be paid in fiscal year 2011 through equal semi-monthly deductions from the State foundation settlement.

G. - Other Objects

Presented below are the other object expenditures for the forecast period:

	Forecast				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Educational Service Center Fees	$905,000	$413,000	$312,000	$312,000	$312,000
Dues and Fees	81,000	83,000	84,000	84,000	84,000
Miscellaneous Objects	5,000	4,000	4,000	4,000	4,000
Totals	$991,000	$500,000	$400,000	$400,000	$400,000

Other object expenditures consist of dues, fees, insurance, and payments to the county educational service center (special education, speech therapy, etc). The payments to the Montgomery County Educational Service Center are projected to decrease due to the expected return of special education students to the School District after restroom renovations are complete in fiscal year 2011. Expenditures for other objects are forecasted to remain constant in fiscal years 2013 through 2015.

H. - Advances/Transfers Out

The School District anticipates transferring $8,000 from the general fund to the athletic fund in fiscal year 2011 and nothing each year thereafter for the remainder of the forecast period. The School District does not anticipate advancing any funds for the fiscal period.

Note 8 - Restatement Adjustments

The School District has carried an unidentified reconciling adjustment for several years. The reconciling adjustment covers several years and would take considerable time and cost to identify. The School District approved to make a onetime adjustment to the general fund in fiscal year 2010 for the unreconciled amount of $29,000.

Note 9 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

This amount is expected to remain consistent for the remainder of the forecast period.

Note 10 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

A. - Textbooks and Instructional Materials Set-Aside

Under Section 3315.17(B)(2), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set-aside or make no deposit into the textbook set-aside. The Board of Education by resolution has waived the set-aside requirement for fiscal year 2010; thereofere, no reserve amount is forecasted for textbooks and instructional materials.

The set-aside amount required is approximately $68,000 each fiscal year. The School District anticipates $68,000 in qualified expenditures in fiscal year 2012 and the qualified expenditures to increase during the remainder of the forecast period. Therefore, no reserve amount is anticipated for the forecast period.

B. – Capital Acquisition and Improvements Set-Aside

The set-aside amount is approximately $68,000 each fiscal year. Annual offsets are anticipated from a classroom facilities maintenance levy. The School District also anticipates qualified expenditures in each fiscal year of the forecast. Therefore, no reserve amount is anticipated for the forecast period.

Note 11 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Results
November 2002	Operating/Renewal	5.5 mills	5 Years	Passed
November 2003	Operating/Additional	6.5 mills	5 Years	Failed
March 2004	Operating/Additional	6.5 mills	5 Years	Failed
November 2004	Operating/Renewal	9.5 mills	5 Years	Passed
May 2006	Permanent Improvement	2.0 mills	5 Years	Passed
May 2007	Operating/Renewal	5.5 mills	5 Years	Passed
November 2007	Operating/Additional	6.5 mills	5 Years	Failed
March 2008	Operating/Renewal	5.5 mills	5 Years	Passed
November 2008	Operating/Additional	5.0 mills	Continuing	Passed
November 2009	Operating/Renewal	9.5 mills	5 Years	Passed

Note 12 - Pending Litigation

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

Note 13 - Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

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JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 14, 2011

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