

**JEFFERSON TOWNSHIP LOCAL SCHOOL
DISTRICT**

Basic Financial Statements

June 30, 2007

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Jefferson Township Local School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. 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

July 16, 2008

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JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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, 2007, which collectively comprise the District's basic financial statements. 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 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 Jefferson Township Local School District, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 43 through 46 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, and is also not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards 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
June 27, 2008

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The discussion and analysis of the Jefferson Township Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

Overall:

- Total net assets decreased \$300,446 which represents a 23.6 percent decrease from fiscal year 2006. The decrease is primarily due to expenditures exceeding revenues.
- General revenues accounted for \$7.2 million or 71.4 percent of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions account for \$2.9 million or 28.6 percent of total revenues of \$10.1 million.
- Of the School District's \$10.4 million in expenses, only \$2.9 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, and property taxes of \$7.2 million were not sufficient to cover the net expenses of the School District.
- The General Fund, the only major fund, had \$7.9 million in revenues and \$8.6 million in expenditures. The General Fund represents 77.7 percent of the total governmental funds revenues and 80.0 percent of total governmental funds expenditures. The General Fund's balance decreased \$583,372 from fiscal year 2006.

Using this Annual Financial Report

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

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of Jefferson Township Local School District, the General Fund is the School District's only major fund and is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School 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 the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. The fund financial statements provide more detailed information about the School District's most significant funds. Therefore, only the General Fund is presented separate from the other governmental funds.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Governmental Funds

The School 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, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2007 compared to 2006:

TABLE 1
NET ASSETS (in 000's)

	<u>2007</u>	<u>2006</u>
Assets		
Current and Other Assets	\$ 3,968,267	\$ 4,024,358
Capital Assets	<u>1,756,156</u>	<u>1,431,888</u>
Total Assets	<u>5,724,423</u>	<u>5,456,246</u>
Liabilities		
Long-term Liabilities	1,092,009	909,308
Other Liabilities	<u>3,661,792</u>	<u>3,275,870</u>
Total Liabilities	<u>4,753,801</u>	<u>4,185,178</u>
Net Assets		
Invested in Capital Assets, Net of Debt	911,376	763,888
Restricted	257,452	173,036
Unrestricted	<u>(198,206)</u>	<u>334,144</u>
Total Net Assets	<u>\$ 970,622</u>	<u>\$ 1,271,068</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2007, the School District's net assets were \$970,622. Of that amount, \$911,376 was invested in capital assets, net of debt related to those assets. Another \$257,452 was subject to external restrictions upon its use. The District had a negative unrestricted deficit of \$198,206.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2007 compared to 2006.

TABLE 2
CHANGE IN NET ASSETS (in 000's)

	<u>2007</u>	<u>2006</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 806,727	\$ 806,895
Operating Grants and Contributions	2,084,414	1,553,996
General Revenues:		
Property Taxes	2,870,865	3,076,190
Grants and Entitlements	4,232,675	3,751,341
Investment Earnings	32,813	50,592
Other	94,555	32,626
Total Revenues	<u>10,122,049</u>	<u>9,271,640</u>
 Program Expenses		
Instruction	5,534,246	5,020,933
Support Services:		
Pupils and Instructional Staff	505,293	609,045
Board of Education, Administration, Fiscal and Business	2,232,859	1,656,566
Plant Operation and Maintenance	693,239	948,131
Pupil Transportation	569,640	608,265
Central	204,081	163,922
Operation of Non-instructional services	470,681	420,321
Extracurricular Activities	133,694	146,177
Interest and Fiscal Charges	78,762	40,109
Total Expenses	<u>10,422,495</u>	<u>9,613,469</u>
 Increase (Decrease) in Net Assets	(300,446)	(341,829)
 Net Assets at Beginning of Year	<u>1,271,068</u>	<u>1,612,897</u>
 Net Assets at End of Year	<u>\$ 970,622</u>	<u>\$ 1,271,068</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 28.4 percent of revenues for governmental activities for the Jefferson Township Local School District for fiscal year 2007. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 62.4 percent of the School District's total revenue was received from intergovernmental sources during fiscal year 2007.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

For fiscal year 2007, total revenue reported by District increased 8.4 percent or \$850,409. The District experienced increases in unrestricted grant revenue and operating grant revenues compared to the prior year.

Although revenues increased from the prior year, expenses also increased. Total expenses reported for fiscal year 2007 were \$809,026 higher than the prior year. Expenses increased primarily in instruction and fiscal support services.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows 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 entitlements.

TABLE 3
TOTAL AND COST OF PROGRAM SERVICES

	2007		2006	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 5,534,246	\$ (3,553,435)	\$ 5,020,933	\$ (3,566,931)
Support Services:				
Pupils and Instructional Staff	505,293	(330,567)	609,045	(361,967)
Board of Education, Administration, Fiscal and Business	2,232,859	(2,057,857)	1,656,566	(1,644,743)
Plant Operation and Maintenance	693,239	(693,239)	948,131	(923,304)
Pupil Transportation	569,640	(569,640)	608,265	(607,621)
Central	204,081	(32,126)	163,922	(58,017)
Operation of Non-instructional services	470,681	(112,081)	420,321	61,217
Extracurricular Activities	133,694	(103,647)	146,177	(111,103)
Interest and Fiscal Charges	78,762	(78,762)	40,109	(40,109)
Total Expenses	\$ 10,422,495	\$ (7,531,354)	\$ 9,613,469	\$ (7,252,578)

In fiscal year 2007, the District reported an increase in program revenue of approximately \$500,000 from the prior year. For fiscal year 2007, general revenues were not sufficient to cover the net costs of the School District.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The School District's Funds

On the modified accrual basis of accounting, the School District's major governmental fund had a negative ending fund balance of \$388,282.

The District's primary operating fund, the General Fund, ended the year with expenditures exceeding revenues by \$583,372. The unreserved, undesignated ending fund balance of the General Fund was a deficit of \$706,727.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the School District amended its general fund budget several times. Budgetary adjustments were required due to unanticipated changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$ 7.8 million as compared to the original and final budget estimates of \$7.1 and \$7.4 million, respectively. This difference included tuition and fees revenue initially budgeted at \$419,400 with budget basis revenues coming in at \$702,191.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$8.0 million, \$185,787 above revenues, and \$625,222 below original budget estimates and \$2.2 million below revised budget estimates.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Capital Assets

At the end of fiscal year 2007, the School District had \$1.8 million invested in land, buildings, furniture and equipment, and vehicles in governmental activities, net of accumulated depreciation.

Table 4 shows fiscal year 2007 balances compared to 2006:

TABLE 4
CAPITAL ASSETS AT JUNE 30

	<u>2007</u>	<u>2006</u>
Land	\$ 220,390	\$ 220,390
Land Improvements	139,870	66,404
Building and Improvements	875,756	934,280
Furniture and Equipment	354,649	43,405
Vehicles	165,491	167,409
Total	<u>\$ 1,756,156</u>	<u>\$ 1,431,888</u>

Overall capital assets increased approximately \$320,000 from fiscal year 2006. The increase is primarily due to the acquisition of a bus and a copier. See Note 8 to the financial statements for additional information.

For fiscal year 2000 and forward, Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional supplies. For fiscal year 2007, this amounts to \$100,537 for each set aside requirement. When fiscal year 2007 qualifying disbursements for the capital improvements and textbooks were netted against the cumulative set aside amounts for the year, a set aside for capital improvements of \$48,645 was required, however, there was no set aside required for textbooks.

Debt Administration

At June 30, 2007, the School District had lease purchase agreement in the amount of \$657,000 and two capital leases in the amount of \$187,780 outstanding. The lease purchase agreement was used in fiscal year 2002 for the construction of the administration building. The capital leases were issued in fiscal year 2007 to purchase a school bus and a copier. At June 30, 2007 the School District's overall legal debt margin was \$7.4 million with an unvoted debt margin of \$90,592. See Note 9 to the basic financial statements for additional information.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Robinson, Treasurer, at (937)835-5682

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents and Investments	\$ 634,377
Receivables:	
Taxes	3,021,868
Accounts	31,375
Intergovernmental	184,943
Inventory Held for Resale	3,319
Prepaid items	18,633
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	73,752
Non-Depreciable Capital Assets	220,390
Depreciable Capital Assets, Net	1,535,766
Total Assets	5,724,423
Liabilities:	
Accounts Payable	53,789
Accrued Wages and Benefits Payable	513,417
Intergovernmental Payable	562,798
Unearned Revenue	2,531,788
Long Term Liabilities:	
Due Within One Year	62,668
Due in More Than One Year	1,029,341
Total Liabilities	4,753,801
Net Assets:	
Invested in Capital Assets, Net of Related Debt	911,376
Restricted for:	
Capital Projects	66,623
Other Purpose	190,829
Unrestricted	(198,206)
Total Net Assets	\$ 970,622

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total Governmental Activities</u>
		<u>Charges for services & sales</u>	<u>Operating grants and contributions</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 2,821,485	\$ 294,275	\$ 703,375	\$ (1,823,835)
Special	871,067	47,145	716,740	(107,182)
Vocational	58,155	-	-	(58,155)
Other	1,783,539	219,276	-	(1,564,263)
Support Services:				
Pupils	210,186	-	174,726	(35,460)
Instructional Staff	295,107	-	-	(295,107)
Board of Education	60,608	-	-	(60,608)
Administration	795,955	-	7,700	(788,255)
Fiscal	1,376,296	167,302	-	(1,208,994)
Operation and Maintenance of Plant	693,239	-	-	(693,239)
Pupil Transportation	569,640	-	-	(569,640)
Central	204,081	-	171,955	(32,126)
Operation of Non-Instructional Services	470,681	48,682	309,918	(112,081)
Extracurricular Activities	133,694	30,047	-	(103,647)
Interest and Fiscal Charges	78,762	-	-	(78,762)
 Total Governmental Activities	 <u>\$ 10,422,495</u>	 <u>\$ 806,727</u>	 <u>\$ 2,084,414</u>	 <u>(7,531,354)</u>

General Revenues:

Property Taxes Levied for General Purposes	2,783,990
Property Taxes Levied for Capital Improvements	86,875
Grants and Entitlements Not Restricted to Specific Programs	4,232,675
Donations	8,772
Investment Earnings	32,813
Miscellaneous	<u>85,783</u>
 Total General Revenues	 <u>7,230,908</u>
 Changes in Net Assets	 (300,446)
 Net Assets at Beginning of Year	 <u>1,271,068</u>
 Net Assets at End of Year	 <u>\$ 970,622</u>

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents and Investments	\$ 198,576	\$ 435,801	\$ 634,377
Receivables:			
Taxes	2,930,721	91,147	3,021,868
Accounts	31,375	-	31,375
Intergovernmental	6,804	178,139	184,943
Due from Other Funds	72,614		72,614
Prepaid Items	18,633	-	18,633
Inventory Held for Resale	-	3,319	3,319
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	<u>73,752</u>	<u>-</u>	<u>73,752</u>
Total Assets	<u>\$ 3,332,475</u>	<u>\$ 708,406</u>	<u>\$ 4,040,881</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 23,776	\$ 30,013	\$ 53,789
Accrued Wages and Benefits	404,451	108,966	513,417
Intergovernmental Payable	518,461	44,337	562,798
Due to Other Funds	-	72,614	72,614
Deferred Revenue	<u>2,774,069</u>	<u>175,063</u>	<u>2,949,132</u>
Total Liabilities	<u>3,720,757</u>	<u>430,993</u>	<u>4,151,750</u>
<u>Fund Balances:</u>			
<u>Reserved for:</u>			
Encumbrances	88,041	112,956	200,997
Supplies Inventory	-	3,319	3,319
Property Taxes	156,652	4,847	161,499
Budget Stabilization	25,107	-	25,107
Capital Acquisition	48,645	-	48,645
Unreserved, Undesignated:			
General Fund	(706,727)	-	(706,727)
Special Revenue Funds	-	104,836	104,836
Capital Projects Funds	<u>-</u>	<u>51,455</u>	<u>51,455</u>
Total Fund Balances	<u>(388,282)</u>	<u>277,413</u>	<u>(110,869)</u>
Total Liabilities and Fund Balances	<u>\$ 3,332,475</u>	<u>\$ 708,406</u>	<u>\$ 4,040,881</u>

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances:		\$	(110,869)
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,756,156
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			
Taxes	328,582		
Intergovernmental revenue	88,762		
Total			417,344
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	(247,229)		
Capital leases payable	(844,780)		
Total			<u>(1,092,009)</u>
Net Assets of Governmental Activities		\$	<u><u>970,622</u></u>

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,881,462	\$ 89,914	\$ 2,971,376
Intergovernmental	4,222,601	2,096,019	6,318,620
Interest	32,813	-	32,813
Tuition and Fees	727,998	-	727,998
Charges for Services	-	48,682	48,682
Gifts and Donations	-	8,772	8,772
Extracurricular Activities	-	30,047	30,047
Miscellaneous	78,825	6,558	85,383
Total Revenues	<u>7,943,699</u>	<u>2,279,992</u>	<u>10,223,691</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,392,755	577,109	2,969,864
Special	383,333	488,780	872,113
Vocational	58,155	-	58,155
Other Instruction	1,782,939	600	1,783,539
Support Services:			
Pupils	48,170	161,716	209,886
Instructional Staff	156,297	138,535	294,832
Board of Education	60,608	-	60,608
Administration	781,899	13,714	795,613
Fiscal	1,360,336	9,219	1,369,555
Plant Operation and Maintenance	690,340	30,031	720,371
Pupil Transportation	542,309	26,825	569,134
Central	55,945	147,805	203,750
Non-Instructional Services	160,018	460,947	620,965
Extracurricular Activities	103,026	30,668	133,694
Debt Service:			
Principal Retirement	5,082	35,408	40,490
Interest and Fiscal Charges	39,543	39,219	78,762
Total Expenditures	<u>8,620,755</u>	<u>2,160,576</u>	<u>10,781,331</u>
Excess of Revenues Over(Under) Expenditures	<u>(677,056)</u>	<u>119,416</u>	<u>(557,640)</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	400	-	400
Inception of Capital Lease	147,270	70,000	217,270
Transfers-In	-	53,986	53,986
Transfers-Out	(53,986)	-	(53,986)
Total Other Financing Sources (Uses)	<u>93,684</u>	<u>123,986</u>	<u>217,670</u>
Change in Fund Balance	(583,372)	243,402	(339,970)
Fund Balance at Beginning of Year	<u>195,090</u>	<u>34,011</u>	<u>229,101</u>
Fund Balance at End of Year	<u>\$ (388,282)</u>	<u>\$ 277,413</u>	<u>\$ (110,869)</u>

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (339,970)

Amounts reported for governmental activities in the statement of activities are different because:

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 exceeded capital outlay in the current period.

Capital asset additions	418,256	
Current year depreciation	(87,519)	
Total	330,737	330,737

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale:

Loss on Assets Sold	(6,469)
---------------------	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Taxes	(100,511)	
Intergovernmental revenue	(1,532)	
Total	(102,043)	(102,043)

Issuance of debt is an other financing source in the governmental funds, but the revenue increases long-term liabilities in the statement of net assets

(217,270)

Repayment of long-term obligations is reported as an expenditure in the governmental funds but the repayment reduces long term liabilities in the statement of net assets.

Capital Lease	40,490
---------------	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences payable	(5,921)
------------------------------	---------

Change in Net Assets of Governmental Activities	\$ (300,446)
See accompanying notes to the basic financial statements	

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>AGENCY FUND</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 15,760</u>
Total Assets	<u> 15,760</u>
Liabilities:	
Due to Students	<u> 15,760</u>
Total Liabilities	<u> 15,760</u>
Net Assets	
Total Net Assets	

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts and is organized under sections 2 and 3, Article IV 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 School District ranks as the 567th largest by enrollment among the 615 public school districts in the state. It currently operates 1 elementary school and 1 comprehensive high school. The School District employs 41 non-certified and 56 certified employees to provide serves to 702 students in grades K through 12 and various community groups.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Jefferson Township Local School District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing body and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; or (3) the School 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 School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the School District has no component units.

The School District is associated with two organizations, which are defined as jointly governed and one insurance purchasing pool. These organizations are discussed in Notes 13 and 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Career Technology Center
Metropolitan Dayton Educational Cooperative (MDECA)

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Jefferson Township Local School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the School 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 is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose uses are 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund is used to account for resources that belong to various student groups in the School District.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

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, grants, investment earnings, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Budget Data

All funds, other than agency funds are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board has established the legal level of control at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Individual fund integrity is maintained through the School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

Cash and cash equivalents are defined as deposits with a maturity of three months or less, money market investments and holdings in 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, which requires investments in the 2a-7 like pool to be reported at amortized cost (which approximates fair value).

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest earnings credited to the General Fund during fiscal year 2007 amounted to \$32,813.

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 School District are considered to be cash equivalents.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used. Inventory consists of donated food and purchased food.

H. 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 School 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 materiality extend an asset's life are not. The School 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>Estimated Lives</u>
Land Improvements	5-20 years
Buildings and Improvement	20-50 years
Furniture and Equipment	5-20 years
Vehicles	5-10 years

I. Estimates

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "loans to/from other funds". These amounts are eliminating in the governmental activities column on the statement of net assets.

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.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or 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 and uses in governmental funds. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statement.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered. The School District records a liability for accumulated, unused vacation time for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method which states that the School District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated sick leave for all employees after five years of current service with the School District.

The entire compensated absence liability is reported on the government-wide financial statements. The amount to be reported in the governmental fund financial statements is the current portion of unpaid compensated absences is the amount due to employees who were retired at June 30, 2007, but were not paid as of that date. As of June 30, 2007, the School District did not have a liability for retired employees not paid as of June 30, 2007 that would be reported in the governmental fund financial statements.

M. 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, claims and judgments and compensated 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.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. As of June 30, 2007 the School District did not have any net assets restricted by enabling legislation.

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

O. Fund Balance Reserves

The School 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 inventory of supplies and materials, property taxes, budget stabilization, capital acquisition and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money previously received through workers' compensation rebates which are required to be set-aside by statute to be spent on specific purposes. The reserve for capital acquisition represents money to be set-aside by statute for the acquisition and construction of capital improvements.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a BWC reserve and a capital acquisition reserve. These reserves are required by the state statute. A schedule of statutory reserves is presented in Note 15.

Q. 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.

R. 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 2007.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 388,282
Other Grant Funds	24,418
District Managed Student Activity	7,737
Poverty Based Aid	87,567
Title VI-B	15,542
Drug Free School	277
Miscellaneous Federal Grants	53,371

The fund equity deficits resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2008.

B. Compliance

- i. The School District did not properly certify several expenditures during the fiscal year ended June 30, 2007, in noncompliance with Ohio Revised Code Section 5705.41(D).
- ii. The School District did not submit a certificate of estimated resources by individual funds in accordance with Ohio Revised Code section 5705.39.
- iii. The School District did not properly approve transfers in accordance with Ohio Revised Code sections 5705.14 and 5705.16.

NOTE 4 - DEPOSITS AND INVESTMENTS

Protection of the School 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.

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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 bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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 School 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.

A. Deposits

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At year-end, the carrying amount of the School District's deposits was \$(46,615) and the bank balance was \$134,636. \$100,000 of the bank balance was covered by federal depository insurance and \$34,636 was collateralized with securities held by the pledging financial institution's agent in the School District's name.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of June 30, 2007, the School District had investments in STAR Ohio at a fair value of \$770,504. The School District's investments in STAR Ohio were rated AAAM by Standard & Poor's.

For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's investments are held by the counterparty's trust department in the School District's name, therefore, are not exposed to custodial credit risk.

The School District does not have an investment policy beyond the requirements of State Statute.

NOTE 5 – INTERFUND TRANSACTIONS

- A. Interfund Transfers for the fiscal year ended June 30, 2007 consisted of the following, as reported in the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	
General Fund	\$53,986

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to 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.

- B. Long-term interfund balances at June 30, 2007 consist of the following loans to and from other funds, as reported in the fund financial statements:

<u>Loans to Other Funds</u>	<u>Loans from Other Funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$72,614

The primary purpose of loans to/from other funds is to cover costs in specific funds where revenues were not received by June 30. These long-term loans to/from other funds are not expected to be repaid within one year.

Loans to/from other funds between governmental funds are eliminated for reporting on the statement of net assets.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - PROPERTY TAXES

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

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

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 School District prior to June 30.

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced 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, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$156,652 in the general fund and \$4,847 in the permanent improvement capital projects fund.

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

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 79,600,860	88.77%	\$ 80,683,710	89.06%
Public Utility	4,640,331	5.18%	4,658,121	5.14%
Tangible Personal Property	<u>5,429,060</u>	<u>6.05%</u>	<u>5,250,050</u>	<u>5.80%</u>
Total Assessed Value	<u>\$ 89,670,251</u>	<u>100%</u>	<u>\$ 90,591,881</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$61.90		\$61.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, consisted of current and delinquent property taxes, accounts (student fees), intergovernmental grants and interfund transactions. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	
General Fund	\$ 6,804
Nonmajor Governmental Funds	
Ohio Reads Grant	18,000
Miscellaneous State Grants	46,726
Title VI-B	42,037
Title I	50,000
Miscellaneous Federal Grants	<u>21,376</u>
Total	\$ <u>184,943</u>

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital asset activity for fiscal year 2007 was as follows:

	<u>Balance</u> 6/30/06	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6/30/07
<u>Capital Assets, not being depreciated</u>				
Land	\$ 220,390	\$ -	\$ -	\$ 220,390
<u>Capital Assets, being depreciated</u>				
Land Improvements	422,259	75,976	-	498,235
Buildings and Improvements	3,970,040	-	-	3,970,040
Furniture and Equipment	303,311	321,642	(36,552)	588,401
Vehicles	655,034	20,638	-	675,672
	<u>5,350,644</u>	<u>418,256</u>	<u>(36,552)</u>	<u>5,732,348</u>
<u>Less: Accumulated Depreciation</u>				
Land Improvements	(355,855)	(2,510)	-	(358,365)
Buildings and Improvements	(3,035,760)	(58,524)	-	(3,094,284)
Furniture and Equipment	(259,906)	(3,929)	30,083	(233,752)
Vehicles	(487,625)	(22,556)	-	(510,181)
	<u>(4,139,146)</u>	<u>(87,519) *</u>	<u>30,083</u>	<u>(4,196,582)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,431,888</u>	<u>\$ 330,737</u>	<u>\$ (6,469)</u>	<u>\$ 1,756,156</u>

* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 84,815
Special	940
Support Services:	
Pupils	300
Administration	222
Operation and Maintenance of Plant	1,242
Total Depreciation Expense	<u>\$ 87,519</u>

NOTE 9 – LONG-TERM OBLIGATIONS

In fiscal year 2002, the School 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 sources of revenue to fund the principal and interest payments are general operating revenues of the School District. Capital assets acquired by lease have been capitalized in the amount of \$708,000, which is equal to the present value of the future minimum lease payments as of the date of their inception. During fiscal 2007, the School District paid \$11,000 in principal and \$39,219 in interest and fiscal charges on the lease-purchase agreement. Principal and interest payments are recorded as debt service expenditure in the debt service fund (a nonmajor governmental fund).

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – LONG-TERM OBLIGATIONS(continued)

In fiscal year 2007, the School District entered into a capital lease agreement to purchase a bus and a capital lease to purchase a copier. The bus and copier have been capitalized in the amounts of \$70,000 and \$147,270, respectively. The principal and interest payments for the bus are paid from the permanent improvement fund and the lease payments from the copier are paid from the General Fund. During fiscal year 2007, the School District paid \$24,408 in principal payments for the bus lease (no interest payment was required) and \$5,082 in principal and \$39,543 in interest charges on the copier lease.

The following is a schedule of future long term minimum lease payments required under the lease purchase agreement and capital lease and the present value of the minimum lease payments.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>
2008	\$ 151,080
2009	151,382
2010	127,220
2011	126,406
2012	81,967
2013-2017	251,228
2018-2022	253,540
2023-2027	252,856
2028-2032	<u>255,103</u>
Total	1,650,782
Less: Amount Representing Interest	<u>(806,002)</u>
Present Value of Net Minimum Lease Payments	\$ <u>844,780</u>

During fiscal year end 2007, the following changes occurred in the governmental activities long-term obligations:

	<u>Balance</u> <u>6/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/07</u>	<u>Amounts Due in</u> <u>One year</u>
Government Activities					
Lease Purchase Agreement	\$ 668,000	\$ -	\$ 11,000	\$ 657,000	\$ 12,000
Capital Leases Payable	-	217,270	29,490	187,780	34,867
Compensated absences payable	<u>241,308</u>	<u>140,359</u>	<u>134,438</u>	<u>247,229</u>	<u>15,801</u>
Total governmental activities long-term liabilities	\$ <u>909,308</u>	\$ <u>357,629</u>	\$ <u>174,928</u>	\$ <u>1,092,009</u>	\$ <u>62,668</u>

Compensated absences will be paid from the fund in which the employee is paid which, for the School District is primarily the general fund.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – LONG-TERM OBLIGATIONS-(continued)

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District.

The effect of these debt limitations at June 30, 2007 are a voted debt margin of \$7,354,081, an unvoted debt margin of \$90,592, and an energy conservation debt margin of \$815,327.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School 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 School District carries employee health and general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

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

Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2006.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund post-employment benefits; for fiscal year 2007, 10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$138,255, \$125,810 and \$130,001 respectively; 53.38 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$78,444 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds and the Statement of Net Assets.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006 and 2005, were \$453,300, \$381,913 and \$400,580 respectively; 83.52 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

C. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, one member of the Board of Education has elected Social Security. The School District's liability is 6.2 percent of wages paid. The remaining Board members contribute to the School Employees Retirement System.

NOTE 12 – POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$34,869 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006 (the latest information available), employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$147,093.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technology Center

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

Metropolitan Dayton Educational Cooperative Association

The School 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 Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 seven superintendents of member school districts, with six of the superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. During fiscal year 2007, the School District paid \$33,050 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405

NOTE 14 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School 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.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an amount for the acquisition and construction of capital improvements. Although the School District had qualifying offsets and disbursements in the prior year that reduced the set-aside amount below zero for capital acquisitions, these extra amounts cannot be used to reduce the set-aside requirement. Excess disbursements related to the textbook reserve may be carried forward from year to year. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	\$ (546,309)	\$ -	\$ 25,107
Current Year Set-aside Requirement	100,537	100,537	-
Qualifying Disbursements	(45,612)	(49,892)	-
Current Year Offsets	<u>-</u>	<u>(2,000)</u>	<u>-</u>
Subtotal	<u>(491,384)</u>	<u>48,645</u>	<u>25,107</u>
Set-aside Balance Carried Forward to Future Years	<u>\$ (491,384)</u>	<u>\$ 48,645</u>	<u>\$ 25,107</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. The portion of monies which had previously accumulated in the budget stabilization reserve that were not related to workers' compensation rebates received by the School District, are now available for ordinary operating costs incurred by the School District and therefore are reported as unreserved and undesignated fund balance in the General Fund. Current State statute requires the School District to continue reporting funds received that were related to workers' compensation rebates in the budget stabilization reserve. Restrictions exist as to the manner in which these funds may be spent. As the School District's budget stabilization account is comprised of workers' compensation rebate funds, the entire balance is maintained on the governmental funds' balance sheet as a reservation of fund balance and restricted "equity in pooled cash and cash equivalents" in the General Fund.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 16 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

NOTE 17 – FISCAL WATCH

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

In October 2005, the board adopted a resolution to request the Auditor of States office remove the School District from this designation, as they have met all the required steps. As of June 30, 2007, the School District has yet to receive a response from the Auditor of State.

NOTE 18 – SUBSEQUENT EVENT

On January 24, 2008, the School District issued a \$500,000 Tax Anticipate Note (TAN) to provide funds for operating purposes. The TAN was issued in anticipation of the collection of current tax revenues to be received from all settlements of taxes in and for the 2007-2008 fiscal year. The maturity date on the TAN was June 26, 2008 and the note carried a 4.25 percent interest rate.

The School District did not repay the TAN when it became due on June 26, 2008 and therefore, the financial institution that held the TAN considered the School District in default. The School District’s legal counsel is working with the financial institution to resolve the issue, but at present, the financial implications to the School District are not yet known.

see hot topics file for more details

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
Revenues:				
Taxes	\$ 2,903,752	\$ 3,003,752	\$ 3,020,993	\$ 17,241
Intergovernmental	3,686,338	3,884,933	3,905,566	20,633
Interest	50,592	50,592	32,813	(17,779)
Tuition and Fees	419,400	419,400	702,191	282,791
Miscellaneous	<u>34,395</u>	<u>34,395</u>	<u>107,268</u>	<u>72,873</u>
Total Revenues	<u>7,094,477</u>	<u>7,393,072</u>	<u>7,768,831</u>	<u>375,759</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,955,820	2,009,535	2,102,510	(92,975)
Special	425,000	585,200	368,071	217,129
Vocational	60,200	60,200	68,073	(7,873)
Other Instruction	1,790,559	2,202,239	1,439,155	763,084
Support Services:				
Pupils	43,600	43,600	48,154	(4,554)
Instructional Staff	227,624	227,624	166,229	61,395
Board of Education	59,965	59,965	63,894	(3,929)
Administration	813,213	876,817	831,233	45,584
Fiscal	1,541,986	1,561,486	1,390,485	171,001
Business	100	100	-	100
Plant Operation and Maintenance	927,138	1,397,953	771,040	626,913
Pupil Transportation	573,400	858,500	563,549	294,951
Central	39,011	73,711	37,738	35,973
Non-Instructional Services	4,000	10,000	6,278	3,722
Extracurricular Activities	<u>118,224</u>	<u>183,924</u>	<u>98,209</u>	<u>85,715</u>
Total Expenditures	<u>8,579,840</u>	<u>10,150,854</u>	<u>7,954,618</u>	<u>2,196,236</u>
Excess of Revenues Over(Under) Expenditures	<u>(1,485,363)</u>	<u>(2,757,782)</u>	<u>(185,787)</u>	<u>2,571,995</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	80,193	80,193	37,256	(42,937)
Proceeds from Sale of Assets	-	-	400	400
Inception of Capital Lease	-	-	147,270	147,270
Transfers-In	3,317	3,317	-	(3,317)
Transfers-Out	<u>(65,000)</u>	<u>(115,100)</u>	<u>(53,986)</u>	<u>61,114</u>
Total Other Financing Sources (Uses)	<u>18,510</u>	<u>(31,590)</u>	<u>130,940</u>	<u>162,530</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	<u>(1,466,853)</u>	<u>(2,789,372)</u>	<u>(54,847)</u>	<u>2,734,525</u>
Fund Balance at Beginning of Year	422,290	422,290	422,290	-
Prior Year Encumbrances Appropriated	<u>31,301</u>	<u>31,301</u>	<u>31,301</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (1,013,262)</u>	<u>\$ (2,335,781)</u>	<u>\$ 398,744</u>	<u>\$ 2,734,525</u>

See accompanying notes to the required supplementary information

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2007

Basis of Budgeting

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

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

General Budget Policies

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

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

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

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for rate determination. The Montgomery County Budget Commission waived this requirement for fiscal year 2007.

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the 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 appropriation measure. On or about July 1, the certificate

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2007

of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2007.

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

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

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

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

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

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

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

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

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

NET CHANGE IN FUND BALANCE

	General Fund
GAAP Basis	\$ (583,372)
Revenue Accruals	(174,868)
Expenditure Accruals	759,127
Encumbrances	(92,990)
Other	37,256
	<hr/>
Budget (non-GAAP) Basis	<u>\$ (54,847)</u>

Jefferson Township Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Food Distribution Program	NN-N1	10.550	60,223	60,223
Nutritional Cluster:				
National School Breakfast Program	05-PU	10.553	100,754	100,754
National School Lunch Program	LL-P4	10.555	172,420	172,420
Summer Food Service Program	24-PU	10.559	<u>28,675</u>	<u>28,675</u>
Total Nutrition Cluster			<u>301,849</u>	<u>301,849</u>
Total U.S. Department of Agriculture			<u>362,072</u>	<u>362,072</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	363,885	301,475
Title I-D Delinquent Grant	C1-SD	84.010	29,106	30,756
Title I School Improvement Grant	C1-SK	84.010	<u>50,000</u>	<u>52,810</u>
Total Title I			<u>442,991</u>	<u>385,041</u>
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	188,302	183,809
Preschool Disabilities Grant	PG-SC	84.173	<u>1,682</u>	<u>251</u>
Total Special Education Cluster			<u>189,984</u>	<u>184,060</u>
Drug Free Schools and Communities	DR-S1	84.186	4,875	4,218
Title VI - Innovative Education Grant	C2-S1	84.298	2,817	2,609
Title II-D - Technology	TJ-S1	84.318	7,370	576
Improving Teacher Quality	TR-S1	84.367	118,795	98,914
Reading First	RS-S1	84.357	<u>301,091</u>	<u>335,285</u>
Total U.S. Department of Education			<u>1,067,923</u>	<u>1,010,703</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>1,429,995</u>	\$ <u>1,372,775</u>

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

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes the activity of the School 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, 2007, the School District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the School 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.



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 27, 2008. 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting 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 items 2007-001 and 2007-006 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.

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, we believe that the significant deficiencies 2007-001 and 2007-006 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2007-002 through 2007-005.

We noted certain matters that we reported to management of the District, in a separate letter dated June 27, 2008.

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

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



Springfield, Ohio
June 27, 2008



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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 Jefferson Township Local School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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 item 2007-008 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding the allowable costs 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 Jefferson Township Local School 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, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 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 that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Number 2007-007 and 2007-009 to be significant deficiencies.

A material weakness is a significant deficiency, or a 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 Finding Number 2007-007 and 2007-009 to be material weaknesses.

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

This report is intended solely for the information and use of the audit committee, management, 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
June 27, 2008

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	<u>Special Education Cluster:</u> Title I Grant – CFDA #84.010 Reading First – CFDA #84.357 Nutrition Cluster : School Breakfast – CFDA #10.553 School Lunch – CFDA #10.555 Summer Food – CFDA #10.559
	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER: 2007-001

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 significant deficiencies in the internal controls over financial reporting were noted, and include the following:

Cash Reconciliations

In order to make the financial reports generated by the accounting system as meaningful as possible, the District should perform a cash reconciliation that reconciles the bank balance to the general ledger balance on a monthly basis. Since fiscal year 2006, the District has not been able to reconcile the general ledger to the bank balance. The unidentified differences between the general ledger and the bank are posted as miscellaneous adjustments. As a result of not identifying the cause of the differences, errors in cash receipt and disbursement postings were not corrected.

Cash Disbursements

During the audit of cash disbursements, it was noted that several checks selected for testing could not be located; therefore the existence of the expenditure could not be substantiated. For the checks available for examination we noted several that did not have properly approved purchase requisitions, purchase orders or invoices. Overall, evidence of internal controls over review and approval of expenditures for appropriateness and compliance with laws and regulations was not available.

Cash Receipts

During the audit of cash receipts, the following weaknesses were noted in the cash receipt procedures:

- Receipt files are not maintained in an orderly manner and some cash receipts were not supported with sufficient detail to identify the source.
- Receipt transactions were posted to the revenue ledger prior to the District receiving the cash receipt.
- Receipt transactions were not reconciled to supporting documentation which resulted in errors in receipt postings going undetected.

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 should develop effective 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:

The District had three different treasurers in fiscal year 2007. In addition the District has had issues with their internal controls. The District hired an outside company to reconcile cash back to 2005. With that reconciliation completed in April 2008, the District now maintains balanced monthly cash reconciliations. The District is also working on implementing internal control procedures. Multiple levels of approval are needed before disbursements are made and purchase

orders are not released without proper approval. Budgetary codes and appropriations are in place to match against encumbrances. The District is working with MDECA to update the District's capital asset inventory records subsequent to the last appraisal done in fiscal year 2005. The Treasurer's office has implemented staff training programs.

FINDING NUMBER: 2007-002

Ohio Administrative 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 Revised 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 it was noted that the original (first) amended certificate of estimated resources dated August 28, 2006 was not integrated into the District's accounting system. Furthermore, the certificate was approved at the fund type level, which is not the District's legal level of control. As a result, we could not determine that appropriations did not exceed the August 28, 2006, certificate of estimated resources at the legal level of control. Subsequent certificates of estimated resources were exceeded by the District's appropriations and the District did not receive a "do not exceed" certificate. As a result, the District did not operate with a legal budget and all expenditures were not appropriated in accordance with the Ohio Revised Code. These conditions persisted throughout the year and were not corrected at June 30, 2007.

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

Management Response:

The District reviewed this issue and now maintains a separate accounting of the appropriations and the "do not exceed" certificate. The District has begun routinely updating the Certificate of Estimated Resources with the County Auditor.

FINDING NUMBER: 2007-003

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

During fiscal year 2007, the District did not attach a "412" certificate to the appropriation measures as required. As a result the appropriation measure is considered void and no payments were to be made under those appropriation measures. The District subsequently provided the "412" certificate on April 7, 2008 for the fiscal year 2007 appropriations.

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

Management Response:

The District is taking appropriate action.

FINDING NUMBER: 2007-004

Ohio Revised Code Section 5705.41(D) requires that an expenditure or contract must have prior certification from the fiscal officer stating funds are available to meet such expenditure or contract. There are several exceptions to the requirement that prior certification must be obtained provided by the Ohio Revised Code including “then and now” certificates, blanket purchase orders and super blanket purchase orders. During the audit, several disbursements were not properly encumbered prior to the obligation being made.

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

Management Response:

The District is taking appropriate action.

FINDING NUMBER: 2007-005

Ohio Revised Code Sections 5705.14 and 5705.16 state transfers can only be made by resolution of the taxing authority.

During the year the District made transfers that either were not approved by the Board or did not agree to those approved by the Board.

The District should implement procedures to ensure all transfers are approved by the Board and no transfers are made with out Board approval.

Management Response:

The District believes all transfers were made with Board approval.

FINDING NUMBER: 2007-006

Management is responsible for ensuring the financial statements are complete and prepared accurately in accordance with accounting principles generally accepted in the United States of America (GAAP).

During the audit, it was necessary to adjust the District’s financial statements to properly report and classify certain assets and liabilities, including cash, receivables and capital leases.

Management Response:

As a result of the vacancy in the Treasury position at the 2006 fiscal year end, there were a number of accounting adjustments that needed to be made. These issues carried through fiscal year 2007 but are being corrected.

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

FINDING NUMBER: 2007-007

OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations (Circular A-133), requires the District to prepare a schedule of expenditures of federal awards for the period covered by the annual financial statements. At a minimum, the schedule should include the following: each individual federal program by federal agency, identification of pass-through entities as well as any identification number assigned by the pass-through entities, the CFDA number assigned to each federal program, the total awards expended for each federal program, and disclosures of the significant accounting policies used in preparing the schedule.

The District's accounting system has the ability to track federal awards and expenditures. However, the District does not have procedures in place to ensure the schedule of federal awards and expenditures printed from the accounting system is correct. As a result, the schedule was not complete and did not agree to the District's subsidiary revenue and expenditure ledgers.

The District should review the schedule of expenditures of federal awards included in the 4502 statement to ensure all federal grant programs are included in the schedule and that the schedule is supported by the District's subsidiary ledgers.

Management Response:

Proper budgeting, coding and oversight of the federal programs currently in place should correct this finding.

FINDING NUMBER 2007-008

The No Child Left Behind Act (NCLB), Education Department General Accounting Rules (EDGAR), 34 CFR 74-86 and CCIP planning tools and budgets govern the allowable uses of funds for the Title I program. The District submits an application and budget to the Ohio Department of Education which outlines the objectives of the Title I program. This application and budget is approved by the Ohio Department of Education. During tests of expenditures charged to the Title I grant, it was noted that the District charged expenditures to this grant that were not allowable and did not meet the objectives outlined in the grant application. Those expenditures were for amusement park tickets, medals and awards and an incorrect posting of a teacher's salary. The total amount of the expenditures deemed to be unallowable totaled \$38,674.

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

Management Response:

The District has implemented a review system that ensures expenditures are within the program guidelines. No expenditure is made from any federal program unless it is allowable or a budget program amendment is first requested from the Ohio Department of Education.

FINDING NUMBER 2007-009

The Ohio Department of Education requires the District to submit a final expenditure report. The final expenditure report is to show actual expenditures as approved by each object in the grant budget.

The final expenditure report submitted to the Ohio Department of Education should be supported by the District records; however, variances were noted between the final expenditure report and the District's expenditure ledgers. Furthermore, it was noted that the expenditure amounts reported on the final expenditure report exceeded the approved budget by more than 10%.

The District should implement procedures to ensure the final expenditure report is supported by District records and that expenditures throughout the year are in accordance with the grant budget approved by the Ohio Department of Education.

Management Response:

District personnel now meet routinely to go over federal grants. The Superintendent, Treasurer, Federal Grants Coordinator and occasionally other staff (building principal or teachers) meet and discuss the status of each grant. Amendments to grant programs and budgets are routinely updated in the Comprehensive Continuous Improvement Plan (CCIP) to ensure the District stays within the spending guidelines and budget requirements. The CCIP history log is maintained to explain any updates.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not corrected, partially corrected; significantly different corrective action taken; or finding no longer valid. Explain:
2006-JTLSD-001	Cash reconciliation not performed	No	Repeated as Finding 2007-001
2006-JTLSD-002	Lack of fiscal financial reporting controls	No	Partially corrected. See Finding 2007-001
2006-JTLSD-003	Lack of timely and accurately posting of receipts	No	Partially corrected. See Finding 2007-001
2006-JTLSD-004	Property tax proceeds recorded net of related auditor and treasurer fees	Yes	
2006-JTLSD-005	Lack of control and direction regarding the accounting system and overall fiscal management	No	Partially corrected. See Finding 2007-001
2006-JTLSD-006	Inadequate record storage and retrieval	No	Partially corrected. See Finding 2007-001
2006-JTLSD-007	Ohio Rev. Code 5705.38 requirements for the annual appropriation measure	Yes	
2006-JTLSD-008	Ohio Rev. Code 5705.36 requesting reduced or amended cert. of est. resources	Yes	
2006-JTLSD-009	Ohio Rev Code 5705.39 total appropriations cannot exceed est. resources	No	Repeated as Finding 2007-002
2006-JTLSD-010	Ohio Rev Code 5705.41(D) no expenditures are to be made unless there is a certificate of the fiscal officer	No	Repeated as Finding 2007-004
2006-JTLSD-011	Ohio Rev Code 5705.10 money paid into any fund shall be expended only after such fund receives monies to cover expenditures	No	Partially corrected. See management letter
2006-JTLSD-012	Ohio Rev Code 5705.41(B) No subdivision is to expend monies unless it has been appropriated	No	Partially corrected. See management letter
2006-JTLSD-013	Ohio Rev Code 5705.40 requirements for amending and approving amendments to appropriations	Yes	



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
JULY 29, 2008**