



Mary Taylor, CPA
Auditor of State

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2010**

Local Government Services Section

Jefferson Township Local School District
Montgomery County

Table of Contents

Title	Page
Table of Contents	1
Certification	2
Independent Accountant’s Report.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Years Ended June 30, 2007 through 2009 Actual; Fiscal Year Ending June 30, 2010 Forecasted	4
Summary of Significant Forecast Assumptions and Accounting Policies	5

This Page is Intentionally Left Blank.



Mary Taylor, CPA

Auditor of State

Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Jefferson Township Local School District, Montgomery County, Ohio, and issued a report dated February 16, 2010. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating balance for the fiscal year ending June 30, 2010 of \$1,425,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2011 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2010, and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2010.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision Commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

April 13, 2010

This Page is Intentionally Left Blank.



Mary Taylor, CPA

Auditor of State

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Jefferson Township Local School District for the fiscal year ending June 30, 2010. The Jefferson Township Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Jefferson Township Local School District for the fiscal years ended June 30, 2007, 2008, and 2009 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

A handwritten signature in cursive script that reads "Mary Taylor".

MARY TAYLOR, CPA
Auditor of State

February 16, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

Jefferson Township Local School District
Montgomery County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2007 Through 2009 Actual;
For the Fiscal Year Ending June 30, 2010 Forecasted
General Fund

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Forecasted
Revenues				
General Property Taxes	\$2,495,000	\$2,405,000	\$2,576,000	\$2,613,000
Tangible Personal Property Taxes	526,000	236,000	114,000	42,000
Unrestricted Grants-in-Aid	3,367,000	3,155,000	3,261,000	3,578,000
Restricted Grants-in-Aid	521,000	638,000	643,000	11,000
Restricted Federal Grants-in-Aid - SFSF	0	0	0	206,000
Property Tax Allocation	507,000	627,000	852,000	758,000
All Other Revenues	843,000	776,000	610,000	679,000
<i>Total Revenues</i>	<u>8,259,000</u>	<u>7,837,000</u>	<u>8,056,000</u>	<u>7,887,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	500,000	0	0
Solvency Assistance Advance	0	0	1,500,000	0
Advances-In	0	0	0	42,000
All Other Financing Sources	80,000	0	48,000	4,000
<i>Total Other Financing Sources</i>	<u>80,000</u>	<u>500,000</u>	<u>1,548,000</u>	<u>46,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>8,339,000</u>	<u>8,337,000</u>	<u>9,604,000</u>	<u>7,933,000</u>
Expenditures				
Personal Services	3,605,000	3,579,000	2,723,000	2,429,000
Employees' Retirement/Insurance Benefits	1,262,000	1,177,000	982,000	756,000
Purchased Services	2,214,000	2,780,000	2,714,000	2,521,000
Supplies and Materials	348,000	252,000	153,000	157,000
Capital Outlay	51,000	19,000	3,000	32,000
Debt Service:				
Principal-Solvency Assistance Advance	0	0	0	750,000
Principal-Other	11,000	0	500,000	0
Interest	39,000	0	14,000	0
Other Objects	889,000	1,040,000	1,027,000	1,058,000
<i>Total Expenditures</i>	<u>8,419,000</u>	<u>8,847,000</u>	<u>8,116,000</u>	<u>7,703,000</u>
Other Financing Uses				
Operating Transfers Out	5,000	3,000	0	11,000
Advances Out	0	0	42,000	15,000
<i>Total Other Financing Uses</i>	<u>5,000</u>	<u>3,000</u>	<u>42,000</u>	<u>26,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>8,424,000</u>	<u>8,850,000</u>	<u>8,158,000</u>	<u>7,729,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(85,000)	(513,000)	1,446,000	204,000
Restatement of Fund Balance	0	0	0	(29,000)
Cash Balance July 1	567,000	482,000	(31,000)	1,415,000
Cash Balance June 30	482,000	(31,000)	1,415,000	1,590,000
Encumbrances and Reserves of Fund Balance:				
Actual/Estimated Encumbrances June 30	93,000	4,000	98,000	165,000
Reserves for:				
Budget Reserve	25,000	0	0	0
Capital and Maintenance	0	5,000	0	0
Bus Purchase	7,000	0	0	0
Total Encumbrances and Reserves of Fund Balance	<u>125,000</u>	<u>9,000</u>	<u>98,000</u>	<u>165,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$357,000</u>	<u>(\$40,000)</u>	<u>\$1,317,000</u>	<u>\$1,425,000</u>

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

Jefferson Township Local School District
Montgomery County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

Note 1 – The School District

The Jefferson Township Local School District (the School District) is located in Montgomery County and encompasses all of Jefferson Township. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates 3 instructional/support facilities staffed by 52 certificated employees and 31 non-certificated employees who provide services to approximately 712 students.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Jefferson Township Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 16, 2010, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

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

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

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

Jefferson Township Local School District
Montgomery County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

B. - Fund Accounting

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

Governmental Funds

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

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

C. - Budgetary Process

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

Jefferson Township Local School District
Montgomery County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

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

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

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

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

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2010 (the collection year) for real and public utility property taxes represents collections of 2009 taxes (the tax year). Property tax payments received during calendar year 2010 for tangible personal property (other than public utility property) are for calendar year 2010 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2011 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2010.

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

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

The School District also has a levy for permanent improvements totaling \$2.00 per \$1,000 of assessed valuation. The School District's total tax rate is \$66.90 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$31.61 per \$1,000 of assessed valuation for collection year 2010, and the effective commercial and industrial real property tax rate is \$44.38 per \$1,000 of assessed valuation for collection year 2010.

Jefferson Township Local School District
Montgomery County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

In tax year 2008, a reappraisal took place in Montgomery County, which resulted in slightly lower valuations due to the decline in the local housing market. The decline in valuation forced an increase in the effective levy rates in order to generate the same property tax revenue as received in the prior year on carryover property.

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

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Montgomery County Auditor. The School District is anticipating an increase due to the passage of an operating levy by the voters on November 4th, 2008. Fiscal year 2010 is the first fiscal year in which a full year of the revenue will be received.

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the 23 percent assessment rate on business inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 phased out by 25 percent each year tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 and beyond from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter was not subject to any tangible personal property tax. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

For fiscal year 2010, tangible personal property tax revenues include telephone property only. The October 2008 tangible personal property tax settlement received in fiscal year 2009 was the last property tax settlement for general personal property taxes. The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes.

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

B. - Unrestricted Grants-in-Aid

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

The per pupil amount for fiscal years, 2007 to 2009 are as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2007	\$5,403	\$0	\$5,403
2008	5,565	49	5,614
2009	5,732	51	5,783

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

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components, and the charge off amount are phased in over a five year period. In addition, school districts are guaranteed 99 percent of prior year’s State Foundation aid for the current fiscal year. For fiscal year 2010, the School District estimates \$3,518,000 in adequacy funding and \$60,000 in guarantee funding.

In fiscal year 2010, approximately six percent of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see D - Restricted Federal Grants-in-Aid).

Jefferson Township Local School District
Montgomery County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of career tech monies. For fiscal year 2010, the School District anticipates \$11,000 in career tech monies.

D. - Restricted Federal Grants-in-Aid

In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The School District, based on estimates provided by the Department of Education, anticipates \$206,000 for fiscal year 2010. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries.

E. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimbursed the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Revenues from these new taxes are used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as Utility Deregulation payments. For fiscal year 2010, the School District anticipates approximately \$50,000 in public utility reimbursements based on information provided by the Ohio Department of Taxation.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2010, the School District anticipates receiving \$375,000 of reimbursement for the tangible personal property tax phase out.

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

Property tax allocation revenues consist of the following:

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecast Fiscal Year 2010	Variance Increase
Homestead and Rollback and Tangible Personal Property Exemption	\$344,000	\$409,000	\$511,000	\$333,000	(\$178,000)
Utility Deregulation	51,000	44,000	50,000	50,000	0
Tangible Personal Property Loss Reimbursement	112,000	174,000	291,000	375,000	84,000
Totals	<u>\$507,000</u>	<u>\$627,000</u>	<u>\$852,000</u>	<u>\$758,000</u>	<u>(\$94,000)</u>

F. - All Other Revenues

All other revenues include tuition, interest, rental income, donations, revenue in lieu of taxes, reimbursements and other revenue.

Open enrollment tuition revenue is expected to remain consistent with the prior fiscal year. Other tuition consists of State foundation monies for special education, which is expected to increase slightly.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. The decrease of cash available to invest is the primary reason for the anticipated decrease in interest revenue for fiscal year 2010.

Rental income of the Radcliffe Building to the Chappie James Leadership Academy decreased due to the School District's share of utilities paid by the academy.

The School District receives miscellaneous donations throughout the fiscal year. Donations are anticipated to increase due to donations received for a reading program and from the Alumni Association during fiscal year 2010.

Beginning in fiscal year 2010, the School District will start receiving revenue in lieu of taxes from the City of Moraine due to a tax abatement agreement with ThreeBond.

Other revenues are expected to increase during fiscal year 2010. The increase is due to the School District receiving reimbursements from the Montgomery County Educational Service Center for a Curriculum Director.

All other revenues consist of the following:

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecasted Fiscal Year 2010	Variance Increase (Decrease)
Open Enrollment Tuition	\$565,000	\$387,000	\$364,000	\$362,000	(\$2,000)
Other Tuition	137,000	290,000	195,000	200,000	5,000
Interest	33,000	31,000	11,000	4,000	(7,000)
Rentals	21,000	3,000	23,000	18,000	(5,000)
Donations	0	0	1,000	5,000	4,000
Revenue In Lieu of Taxes	0	0	0	6,000	6,000
Proceeds from Sale of Fixed Assets	1,000	2,000	0	0	0
General Insurance Proceeds	3,000	0	0	0	0
Other	83,000	63,000	16,000	84,000	68,000
Totals	<u>\$843,000</u>	<u>\$776,000</u>	<u>\$610,000</u>	<u>\$679,000</u>	<u>\$69,000</u>

G. – Other Financing Sources

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

During fiscal year 2009, advances were made for a total of \$42,000 to other funds. For fiscal year 2010, those advances are expected to be repaid.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by the Board of Education.

Staffing levels for the last three fiscal years at June 30 and the forecast period are displayed in the chart below. The amounts represent full time equivalents.

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

	2007	2008	2009	2010
General Fund:				
Certified	48	52	39	36
Classified	25	29	19	19
Total General Fund:	73	81	58	55
Other Funds:				
Certified	5	7	10	16
Classified	10	9	8	12
Total Other Funds:	15	16	18	28
Totals	88	97	76	83

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covers the period July 1, 2008 to June 30, 2010, includes no increase in the base salary. Step increases ranged from 2.4 to 4.9 percent for fiscal year 2010. The decrease in certified salaries is due to three certified employees that were paid from the general fund in fiscal year 2009 being paid from other funds in fiscal year 2010 and the termination of another employee in January of the prior year. Due to the timing of the termination of the employee, half of this decrease affected fiscal years 2009 and 2010.

Classified salaries are based on a negotiated contract which includes step increases. The contract covers the period July 1, 2008 to June 30, 2010. The contract allows for step increases ranging from 1.2 to 6.2 percent in each year of the contract. Classified salaries are forecasted to decrease due to a reduction of five employees in January of 2009. Due to the timing of the termination of employees, half of this decrease affected fiscal years 2009 and 2010. The reduction was offset by a full time Treasurer hired in December 2008. The Treasurer replaced a consultant hired to perform the Treasurer's duties. Only half of the salary would have been paid in fiscal year 2009 and a full year salary was paid in fiscal year 2010.

Substitutes are forecasted to slightly increase from fiscal year 2009 due to an employee in fiscal year 2010 taking extended leave.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified and classified employees is equal to one fourth of their unused sick leave, but not to exceed 59 days paid. Certified employees are eligible for a one time retirement bonus of \$15,000. Severance costs are anticipated to increase due to a classified employee retiring during the forecast period as compared with fiscal year 2009.

Presented below is a comparison of salaries and wages for fiscal years 2007, 2008, and 2009 and the forecast period.

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecast Fiscal Year 2010	Variance Increase (Decrease)
Certified Salaries	\$2,428,000	\$2,353,000	\$1,838,000	\$1,617,000	(\$221,000)
Classified Salaries	815,000	940,000	686,000	591,000	(95,000)
Substitute Salaries	218,000	147,000	113,000	124,000	11,000
Supplemental Contracts	77,000	73,000	65,000	68,000	3,000
Severance and Retirement Incentive	18,000	15,000	0	10,000	10,000
Other Salaries and Wages	49,000	51,000	21,000	19,000	(2,000)
Totals	<u>\$3,605,000</u>	<u>\$3,579,000</u>	<u>\$2,723,000</u>	<u>\$2,429,000</u>	<u>(\$294,000)</u>

B. – Employees’ Retirement/Insurance Benefits

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

Retirement costs are based on the employers’ contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent, principals, and treasurer. The decrease that appears on the schedule below is due to the reduction in staff, and retirement costs for certain employees being paid from other funds in fiscal year 2010 and general fund in fiscal year 2009. The timing of the reduction in staff occurred half way through the 2009 fiscal year; therefore, both fiscal year 2009 and 2010 experienced half of the decrease.

Health care, vision and dental insurance rates are fixed by the Board of Education on a yearly basis. The monthly payments per insured for health care benefits are as follows:

Coverage:	Effective October, 2007	Effective October, 2008	Effective October, 2009
Family	\$1,062.59	\$919.28	\$955.13
Single	455.89	394.40	409.78

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and monthly premiums. The School District participates in a traditional health plan. The School District pays a percentage of the premiums based on the negotiated contracts for both certificated and classified employees. For certificated employees, the School District pays 80 percent of the premium and employees pay the remaining 20 percent. For classified employees, the percentage paid by the School District on premiums depends on the classification of the employee and ranges from 40 to 80 percent with the employees pay the remaining amount. The School District will experience a decrease in health insurance costs due to a decrease in staffing levels in fiscal year 2009 and change in employees being paid from other funds in fiscal year 2010 and general fund in fiscal year 2009. The decrease in staffing levels occurred half way through fiscal year 2009; therefore, both fiscal year 2009 and 2010 experienced half of the decrease. The School

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

District also pays the same percentages for certificated and classified employees' premiums for dental insurance as health insurance and 100 percent of the premiums for life insurance.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. Beginning in May 2008, the School District chose to pay the 45 percent of the premium in May and 55 percent of the premium in September, rather than the entire amount in May as in fiscal year 2007. The premium for calendar year 2009, due in May 2010, is higher than fiscal year 2009. The School District used a workers' compensation credit of \$40,000 in FY 2009. For 2010, the workers' compensation rate decreased and there is a reduction in salaries/wages used in calculating the amount due.

For fiscal year 2010, unemployment decreased significantly from the prior fiscal year. This is due to a large reduction in force at the beginning of fiscal year 2009.

Presented below is a comparison of fiscal years 2007, 2008, 2009, and the forecast period:

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecast Fiscal Year 2010	Variance Increase (Decrease)
Employer's Retirement	\$609,000	\$591,000	\$450,000	\$353,000	(\$97,000)
Health Care Insurance	416,000	440,000	359,000	279,000	(80,000)
Workers' Compensation	125,000	68,000	30,000	33,000	3,000
Medicare	45,000	46,000	35,000	30,000	(5,000)
Other Employee Insurances	63,000	24,000	19,000	17,000	(2,000)
Unemployment	4,000	8,000	89,000	44,000	(45,000)
Totals	\$1,262,000	\$1,177,000	\$982,000	\$756,000	(\$226,000)

C. - Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecast Fiscal Year 2010	Variance Increase (Decrease)
Professional and Technical Services	\$230,000	\$186,000	\$313,000	\$195,000	(\$118,000)
Property Services	179,000	153,000	175,000	161,000	(14,000)
Travel and Meeting Expenses	11,000	15,000	4,000	5,000	1,000
Communication Costs	(2,000)	22,000	16,000	18,000	2,000
Utility Services	194,000	285,000	320,000	270,000	(50,000)
Trade Services	0	1,000	0	0	0
Tuition Payments	1,501,000	2,072,000	1,872,000	1,832,000	(40,000)
Pupil Transportation	97,000	39,000	11,000	35,000	24,000
Other Purchased Services	4,000	7,000	3,000	5,000	2,000
Totals	\$2,214,000	\$2,780,000	\$2,714,000	\$2,521,000	(\$193,000)

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

Professional and technical services decreased from the prior year. During fiscal year 2009, the School District contracted the treasurer's duties to an outside firm for part of the fiscal year. These costs were part of professional and technical services. Property services decreased due to replacing older buses as well as a decrease in the cost of property insurance.

Utility services decreased due to the School District joining a purchasing pool, which has lower rates. Tuition payments decreased due to fewer students attending other school districts through open enrollment as in prior years. Pupil transportation has increased because of lease payments on buses.

D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecast Fiscal Year 2010	Variance Increase (Decrease)
General Supplies	\$113,000	\$77,000	\$36,000	\$30,000	(\$6,000)
Textbooks, Library Books and Periodicals	57,000	14,000	12,000	61,000	49,000
Supplies and Materials for Operation Maintenance, and repair	178,000	161,000	105,000	66,000	(39,000)
Totals	<u>\$348,000</u>	<u>\$252,000</u>	<u>\$153,000</u>	<u>\$157,000</u>	<u>\$4,000</u>

Supplies and materials are anticipated to increase due to the purchase of new textbooks. Supplies and materials for operation maintenance, and repair decreased because the School District has been replacing the older buses.

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2010, the School District is forecasting \$32,000 in capital outlay an increase of \$29,000 over fiscal year 2009. The School District purchased a bus during the fiscal year.

F. - Debt Service

General fund supported debt consists of a tax anticipation note issued in fiscal year 2008, Administration Building lease purchase agreement and a Solvency Assistance Fund Advance. The notes were due on June 26, 2008; however, the School District defaulted on the notes. The notes were paid off with tax revenue in July, 2008. The lease purchase agreement had been paid from the general fund in fiscal year 2007. In fiscal years 2008 and 2009, the School District opted to pay the lease payments out of the permanent improvement fund and plans to do the same in fiscal year 2010.

The School District received a Solvency Assistance Fund Advance from the State in 2009 in the amount of \$1,500,000. The advance will be repaid during fiscal years 2010 and 2011 by deducting an equal semi-monthly amount from the State Foundation settlement.

Jefferson Township Local School District
Montgomery County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

G. - Other Objects

Other objects include dues, fees, liability insurance, and county educational service center fees. For fiscal year 2010, the School District is forecasting an increase of \$31,000 in other objects. This increase is attributed to an increase in the foundation deductions related to the Montgomery County Educational Service Center for services provided to the School District's special education students.

H. - Transfers and Advances Out

The School District transferred \$11,000 to the underground storage tank fund for removal of a storage tank. The School District also anticipates advancing the district managed student activities fund \$15,000 to cover the anticipated deficit in that fund.

Note 8 – Restatement Adjustments

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

Note 9 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditures at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ending June 30, 2010 are estimated to be \$165,000.

Note 10 - Reservations of Fund Balance

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

A. – Textbooks and Instructional Materials Set-Aside

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

Jefferson Township Local School District
 Montgomery County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

B. – Capital Acquisition and Improvements Set-Aside

Under Sections 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the capital set aside. The Board of Education by resolution has waived the set-aside requirement for fiscal year 2010; therefore no reserve amount is forecasted for capital acquisition and improvements.

Note 10 - Levies

Since 1999, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Results
November 2000	Permanent Improvement	2.0 mills	5 Years	Passed
November 2001	Operating/Renewal	5.5 mills	5 Years	Passed
November 2002	Operating/Renewal	5.5 mills	5 Years	Passed
November 2003	Operating/Additional	6.5 mills	5 Years	Failed
March 2004	Operating/Additional	6.5 mills	5 Years	Failed
November 2004	Operating/Renewal	9.5 mills	5 Years	Passed
May 2006	Permanent Improvement	2.0 mills	5 Years	Passed
May 2007	Operating/Renewal	5.5 mills	5 Years	Passed
November 2007	Operating/Additional	6.5 mills	5 Years	Failed
March 2008	Operating/Renewal	5.5 mills	5 Years	Passed
November 2008	Operating/Additional	5.0 mills	Continuing	Passed
November 2009	Operating/Renewal	9.5 mills	5 Years	Passed

Note 11 - Pending Litigation

The School District’s management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 13 – Financial Planning and Supervision Commission

On August 11, 2008, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Montgomery County Auditor. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

Jefferson Township Local School District
Montgomery County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

The initial financial recovery plan was adopted on December 1, 2008 and under State law is to be updated annually. The School District is in the process of revising the recovery plan that will be submitted to the Financial Planning and Supervision Commission at the March 30, 2010, meeting.

Note 14 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October 2009, covered fiscal years 2010 through 2014 and assumes the continued operation of the School District with no significant increases in revenues. The School District is in the process of updating their financial forecast due to expected changes to the recovery plan to be presented and adopted by the Financial Planning and Supervision Commission on March 30, 2010.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2010**