



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

JUNE 30, 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jefferson Township Local School District
Montgomery County
2625 South Union Road
Dayton, Ohio 45417

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Jefferson Township Local School District, Montgomery County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis, required budgetary comparison schedules,* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The management's discussion and analysis of the Jefferson Township Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$1,515,332 which represents a 1,159.54% increase from 2015.
- General revenues accounted for \$6,674,297 in revenue or 81.42% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,522,974 or 18.58% of total revenues of \$8,197,271.
- The District had \$6,681,939 in expenses related to governmental activities; \$1,522,974 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,674,297 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and Title I – disadvantaged children fund. The general fund had \$7,174,753 in revenues and \$6,535,253 in expenditures and other financing uses. During fiscal year 2016, the general fund's balance increased \$639,500 from a balance of \$4,772,229 to \$5,411,729.
- The District's other major governmental fund, the Title I – disadvantaged children fund, had \$257,244 in revenues and \$262,356 in expenditures. During fiscal year 2016, the Title I – disadvantaged children fund's balance decreased \$5,112 from a deficit balance of \$82,898 to a deficit balance of \$88,010.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and Title I – disadvantaged children fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-50 of this report.

Required Supplementary Information

The schedule of revenues, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) for the general fund and Title I – disadvantaged children fund are provided on pages 51-55 of this report. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 56 through 62 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2016 and June 30, 2015.

	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 9,528,461	\$ 8,859,659
Capital assets, net	<u>2,120,820</u>	<u>1,569,772</u>
Total assets	<u>11,649,281</u>	<u>10,429,431</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>565,333</u>	<u>394,939</u>
Total deferred outflows of resources	<u>565,333</u>	<u>394,939</u>
<u>Liabilities</u>		
Current liabilities	462,302	712,980
Long-term liabilities:		
Due within one year	53,590	79,274
Due in more than one year:		
Net pension liability	5,964,570	5,952,387
Other amounts	<u>607,626</u>	<u>633,831</u>
Total liabilities	<u>7,088,088</u>	<u>7,378,472</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	2,398,156	2,247,716
Pensions	<u>1,082,354</u>	<u>1,067,498</u>
Total deferred inflows of resources	<u>3,480,510</u>	<u>3,315,214</u>
<u>Net Position</u>		
Net investment in capital assets	1,591,788	1,005,207
Restricted	418,563	271,483
Unrestricted (deficit)	<u>(364,335)</u>	<u>(1,146,006)</u>
Total net position	<u>\$ 1,646,016</u>	<u>\$ 130,684</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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

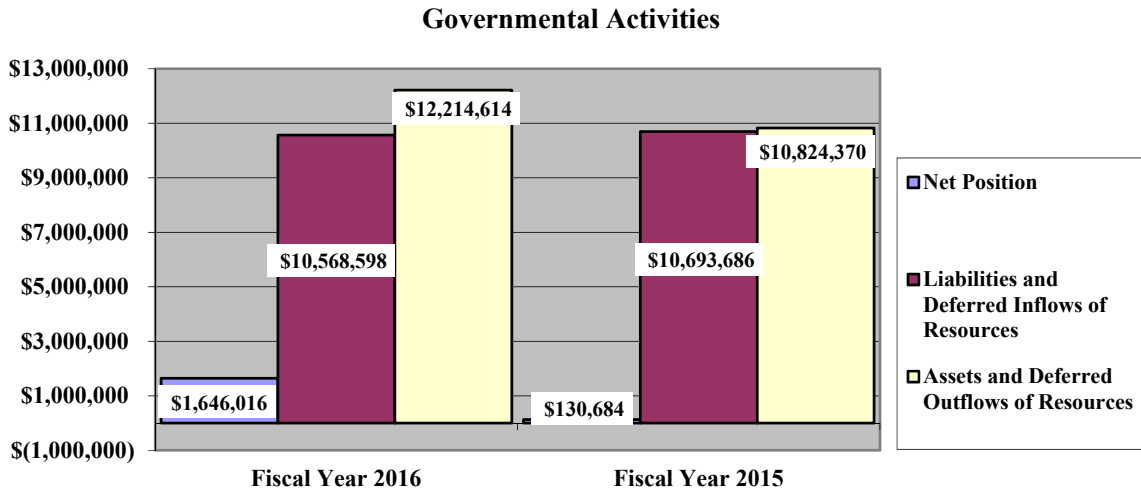
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,646,016. The increase in net position is due to the reduction of staff and fewer students served during fiscal year 2016.

At year end, capital assets represented 18.21% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets net of related debt at June 30, 2016, were \$1,591,788. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$418,563, represents resources that are subject to external restriction on how they may be used.

The table below presents the District's governmental activities liabilities and deferred inflows, net position and assets as of June 30, 2016 and June 30, 2015.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table below shows the change in net position for fiscal year 2016 and 2015.

	Change in Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 459,767	\$ 389,040
Operating grants and contributions	1,063,207	1,141,671
General revenues:		
Property taxes	2,679,007	2,739,306
Payments in lieu of taxes	6,250	6,155
Grants and entitlements	3,971,969	3,990,161
Investment earnings	14,946	9,564
Other	<u>2,125</u>	<u>8,656</u>
Total revenues	<u>8,197,271</u>	<u>8,284,553</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	1,556,731	1,757,858
Special	1,196,511	1,334,024
Vocational	-	3,709
Other	1,167,294	1,337,548
Support services:		
Pupil	352,188	230,274
Instructional staff	114,043	149,623
Board of education	54,872	53,093
Administration	692,537	644,039
Fiscal	260,377	266,785
Business	483	562
Operations and maintenance	316,957	892,220
Pupil transportation	551,357	394,057
Central	3,973	3,973
Operation of non-instructional services:		
Other non-instructional services	18,355	15,115
Food service operations	250,048	231,557
Extracurricular activities	114,002	110,474
Interest and fiscal charges	<u>32,211</u>	<u>34,062</u>
Total expenses	<u>6,681,939</u>	<u>7,458,973</u>
Change in net position	1,515,332	825,580
Net position at beginning of year	<u>130,684</u>	<u>(694,896)</u>
Net position at end of year	<u>\$ 1,646,016</u>	<u>\$ 130,684</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Governmental Activities

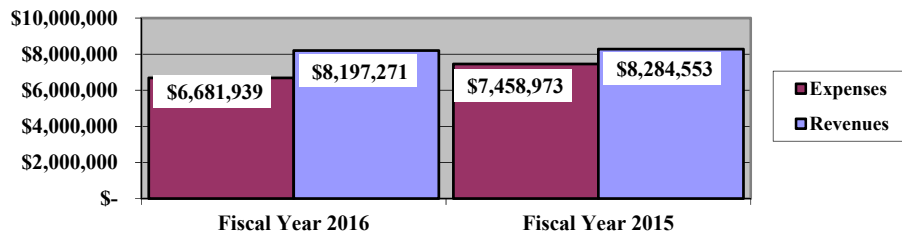
Net position of the District's governmental activities increased \$1,515,332. Total governmental expenses of \$6,681,939 were offset by program revenues of \$1,522,974 and general revenues of \$6,674,297. Program revenues supported 22.79% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 81.14% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,920,536 or 58.67% of total governmental expenses for fiscal year 2016.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

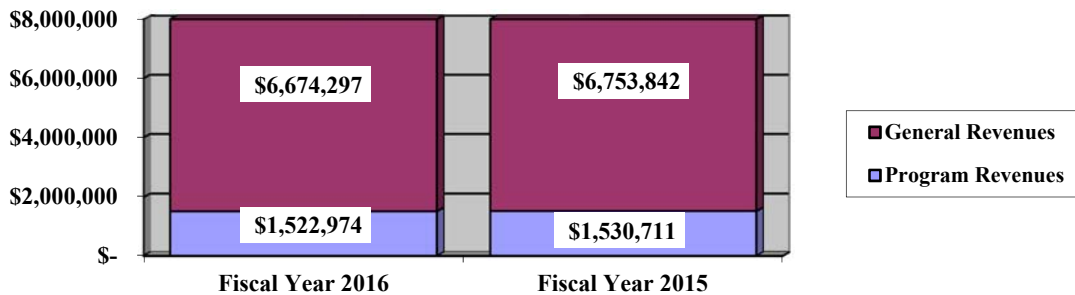
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Program expenses				
Instruction:				
Regular	\$ 1,556,731	\$ 1,120,385	\$ 1,757,858	\$ 1,429,144
Special	1,196,511	440,982	1,334,024	484,832
Vocational	-	-	3,709	(2,810)
Other	1,167,294	1,167,294	1,337,548	1,337,548
Support services:				
Pupil	352,188	346,851	230,274	229,829
Instructional staff	114,043	110,443	149,623	92,763
Board of education	54,872	54,872	53,093	53,093
Administration	692,537	691,349	644,039	643,014
Fiscal	260,377	260,377	266,785	266,785
Business	483	483	562	562
Operations and maintenance	316,957	316,439	892,220	891,216
Pupil transportation	551,357	551,357	394,057	393,270
Central	3,973	3,973	3,973	3,973
Operation of non-instructional services:				
Other non-instructional services	18,355	4,875	15,115	5,393
Food service operations	250,048	(41,212)	231,557	(29,998)
Extracurricular activities	114,002	98,286	110,474	95,586
Interest and fiscal charges	32,211	32,211	34,062	34,062
Total expenses	<u>\$ 6,681,939</u>	<u>\$ 5,158,965</u>	<u>\$ 7,458,973</u>	<u>\$ 5,928,262</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 69.60% of instruction activities are supported through taxes and other general revenues for fiscal year 2016. For all governmental activities, general revenue support is 77.21% for fiscal year 2016.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund balance of \$5,545,848, which is higher than last year's balance of \$4,828,716. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance (deficit) <u>June 30, 2016</u>	Fund Balance (deficit) <u>June 30, 2015</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 5,411,729	\$ 4,772,229	\$ 639,500	13.40 %
Title I - disadvantaged children	(88,010)	(82,898)	(5,112)	(6.17) %
Other Governmental	<u>222,129</u>	<u>139,385</u>	<u>82,744</u>	59.36 %
Total	<u>\$ 5,545,848</u>	<u>\$ 4,828,716</u>	<u>\$ 717,132</u>	14.85 %

General Fund

The District's general fund balance increased \$639,500 overall due to staffing cuts and services provided to fewer students during the fiscal year.

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

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Increase (Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,583,596	\$ 2,637,321	\$ (53,725)	(2.04) %
Earnings on investments	14,946	9,564	5,382	56.27 %
Tuition	394,573	332,985	61,588	18.50 %
Intergovernmental	4,170,708	4,197,187	(26,479)	(0.63) %
Other revenues	<u>10,930</u>	<u>16,662</u>	<u>(5,732)</u>	(34.40) %
Total	<u>\$ 7,174,753</u>	<u>\$ 7,193,719</u>	<u>\$ (18,966)</u>	(0.26) %
<u>Expenditures</u>				
Instruction	\$ 3,491,992	\$ 3,808,925	\$ (316,933)	(8.32) %
Support services	2,427,548	2,257,493	170,055	7.53 %
Extracurricular activities	91,604	87,166	4,438	5.09 %
Facilities acquisition and construction	496,623	599,832	(103,209)	(17.21) %
Debt service	<u>17,486</u>	<u>17,486</u>	<u>-</u>	- %
Total	<u>\$ 6,525,253</u>	<u>\$ 6,770,902</u>	<u>\$ (245,649)</u>	(3.63) %

Earning on investment increased from 2015 due to increased amounts in investment accounts. Tuition revenues increased approximately 18.50% from 2015 which can primarily be attributed to more open enrollment throughout the District. Other revenues decreased approximately 34.40% from 2015 which can be attributed to fewer miscellaneous revenues being receipted by the District. Instruction expenditures decreased due to a decrease in certified teaching staff. Extracurricular activities expenditures increased 5.09% due primarily to more being spent on afterschool activities in fiscal year 2016. Facilities acquisitions and construction expense decreased due to fewer costs of repair and maintenance throughout the District in fiscal year 2016. All other revenues and expenditures remained comparable to the prior year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Title I – Disadvantaged Children

The Title I – disadvantaged children fund, had \$257,244 in revenues and \$262,356 in expenditures. During fiscal year 2016, the Title I – disadvantaged children fund's balance decreased \$5,112 from a deficit balance of \$82,898 to a deficit balance of \$88,010.

General Fund Budgeting Highlights

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

For fiscal year 2016, the general fund, original budgeted revenues and other financing sources was \$7,425,552. Final budgeted revenues and other financing sources was \$7,425,552. Actual revenues and other financing sources for fiscal year 2016 was \$7,339,072. This represents a \$86,480 decrease from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) totaled \$8,379,170. Final appropriations totaled \$9,051,662. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$7,484,901, which was \$1,566,761 less than the final budget appropriations. This decrease is due to the District's conservative budgeting approach.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$2,120,820 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 192,660	\$ 192,660
Construction in progress	320,004	147,766
Land improvements	65,984	73,756
Building and improvements	1,453,670	1,049,447
Furniture and equipment	54,497	49,468
Vehicles	34,005	56,675
 Total	 \$ 2,120,820	 \$ 1,569,772

The overall increase in capital assets of \$551,048 is due to capital outlay additions of \$671,856 exceeding depreciation expense of \$120,808.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Debt Administration

At June 30, 2016, the District had \$529,032 in capital lease obligations and lease purchase agreements. Of this total, \$30,032 is due within one year and \$499,000 is due in greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Capital lease obligation	\$ 10,032	\$ 26,565
Lease purchase agreement	<u>519,000</u>	<u>538,000</u>
Total	<u>\$ 529,032</u>	<u>\$ 564,565</u>

At June 30, 2016, the District's overall legal debt margin was \$8,672,216, and an unvoted debt margin of \$96,358.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District is located in an area of Montgomery County that is mainly rural in nature with relatively small assessed value for the generation of property taxes. The District also relies heavily on State funding as over fifty percent of the general fund's revenue is derived from State sources. The District needs to control expenditures and use its five year forecast as a strong fiscal management tool to help increase the overall balances of the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Laura Sauber Treasurer, Jefferson Township Local School District, 2625 S. Union Road, Dayton, Ohio 45417.

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

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,780,058
Receivables:	
Property taxes	3,481,197
Accounts	767
Intergovernmental	232,678
Prepayments	8,098
Materials and supplies inventory.	18,482
Inventory held for resale.	7,181
Capital assets:	
Nondepreciable capital assets	512,664
Depreciable capital assets, net.	1,608,156
Capital assets, net	2,120,820
Total assets.	11,649,281
 Deferred outflows of resources:	
Pension - STRS	426,837
Pension - SERS	138,496
Total deferred outflows of resources	565,333
 Liabilities:	
Accounts payable.	23,725
Accrued wages and benefits payable	304,879
Intergovernmental payable	76,469
Pension and postemployment benefits payable	57,229
Long-term liabilities:	
Due within one year.	53,590
Due in more than one year:	
Net pension liability (See Note 13)	5,964,570
Other amounts due in more than one year	607,626
Total liabilities	7,088,088
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,398,156
Pension - STRS.	866,433
Pension - SERS.	215,921
Total deferred inflows of resources	3,480,510
 Net position:	
Net investment in capital assets	1,591,788
Restricted for:	
Capital projects	203,860
State funded programs.	1,987
Federally funded programs	148,121
Student activities	1,500
Food service operations.	63,095
Unrestricted (deficit)	(364,335)
Total net position.	\$ 1,646,016

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 1,556,731	\$ 279,328	\$ 157,018	\$ (1,120,385)
Special	1,196,511	115,245	640,284	(440,982)
Other	1,167,294	-	-	(1,167,294)
Support services:				
Pupil	352,188	1,367	3,970	(346,851)
Instructional staff	114,043	-	3,600	(110,443)
Board of education	54,872	-	-	(54,872)
Administration	692,537	1,188	-	(691,349)
Fiscal	260,377	-	-	(260,377)
Business	483	-	-	(483)
Operations and maintenance	316,957	85	433	(316,439)
Pupil transportation	551,357	-	-	(551,357)
Central	3,973	-	-	(3,973)
Operation of non-instructional services:				
Other non-instructional services	18,355	-	13,480	(4,875)
Food service operations	250,048	47,588	243,672	41,212
Extracurricular activities	114,002	14,966	750	(98,286)
Interest and fiscal charges	32,211	-	-	(32,211)
Total governmental activities	<u>\$ 6,681,939</u>	<u>\$ 459,767</u>	<u>\$ 1,063,207</u>	<u>(5,158,965)</u>

General revenues:	
Property taxes levied for:	
General purposes	2,602,116
Capital projects	76,891
Payments in lieu of taxes	6,250
Grants and entitlements not restricted to specific programs	3,971,969
Investment earnings	14,946
Miscellaneous	2,125
Total general revenues	<u>6,674,297</u>
Change in net position	1,515,332
Net position at beginning of year	<u>130,684</u>
Net position at end of year	<u>\$ 1,646,016</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Title I - Disadvantaged Children	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,302,729	\$ 207,236	\$ 270,093	\$ 5,780,058
Receivables:				
Property taxes	3,385,201	-	95,996	3,481,197
Accounts	767	-	-	767
Interfund loans	212,492	-	-	212,492
Intergovernmental	70,119	130,376	32,183	232,678
Prepayments	8,098	-	-	8,098
Materials and supplies inventory	18,482	-	-	18,482
Inventory held for resale	-	-	7,181	7,181
Total assets	<u>\$ 8,997,888</u>	<u>\$ 337,612</u>	<u>\$ 405,453</u>	<u>\$ 9,740,953</u>
Liabilities:				
Accounts payable	22,367	-	1,358	23,725
Accrued wages and benefits payable	210,771	55,776	38,332	304,879
Intergovernmental payable	43,773	32,167	529	76,469
Pension and postemployment benefits payable	36,020	9,738	11,471	57,229
Interfund loans payable	-	197,565	14,927	212,492
Total liabilities	<u>312,931</u>	<u>295,246</u>	<u>66,617</u>	<u>674,794</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	2,332,991	-	65,165	2,398,156
Delinquent property tax revenue not available	871,147	-	25,322	896,469
Intergovernmental revenue not available	69,090	130,376	26,220	225,686
Total deferred inflows of resources	<u>3,273,228</u>	<u>130,376</u>	<u>116,707</u>	<u>3,520,311</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	18,482	-	-	18,482
Prepays	8,098	-	-	8,098
Restricted:				
Capital improvements	-	-	178,538	178,538
Food service operations	-	-	69,734	69,734
Non-public schools	-	-	1,987	1,987
Extracurricular	-	-	1,500	1,500
Committed:				
Student and staff support	81,903	-	-	81,903
Underground storage tank	30,996	-	-	30,996
Assigned:				
Student instruction	25,925	-	-	25,925
Student and staff support	167,707	-	-	167,707
Subsequent year's appropriations	435,946	-	-	435,946
Other purposes	3,053	-	-	3,053
Unassigned (deficit)	<u>4,639,619</u>	<u>(88,010)</u>	<u>(29,630)</u>	<u>4,521,979</u>
Total fund balances	<u>5,411,729</u>	<u>(88,010)</u>	<u>222,129</u>	<u>5,545,848</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,997,888</u>	<u>\$ 337,612</u>	<u>\$ 405,453</u>	<u>\$ 9,740,953</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	5,545,848
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,120,820
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	896,469	
Intergovernmental receivable		225,686	
Total		1,122,155	1,122,155
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		565,333	
Deferred inflows of resources - pension		(1,082,354)	
Net pension liability		(5,964,570)	
Total		(6,481,591)	(6,481,591)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(10,032)	
Lease purchase agreement		(519,000)	
Compensated absences		(132,184)	
Total		(661,216)	(661,216)
Net position of governmental activities		\$	1,646,016

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Title I - Disadvantaged Children	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 2,583,596	\$ -	\$ 76,259	\$ 2,659,855
Payment in lieu of taxes	6,250	-	-	6,250
Tuition.	394,573	-	-	394,573
Earnings on investments	14,946	-	120	15,066
Charges for services	-	-	47,673	47,673
Extracurricular.	2,555	-	14,966	17,521
Contributions and donations	1,228	-	-	1,228
Other local revenues	897	-	750	1,647
Intergovernmental - state	4,150,573	-	148,284	4,298,857
Intergovernmental - federal	20,135	257,244	382,229	659,608
Total revenues	<u>7,174,753</u>	<u>257,244</u>	<u>670,281</u>	<u>8,102,278</u>
Expenditures:				
Current:				
Instruction:				
Regular.	1,465,527	-	145,169	1,610,696
Special	859,171	259,394	98,775	1,217,340
Other	1,167,294	-	-	1,167,294
Support services:				
Pupil	354,651	-	3,970	358,621
Instructional staff	110,906	-	4,138	115,044
Board of education	29,213	-	-	29,213
Administration	707,823	-	-	707,823
Fiscal	259,671	-	1,622	261,293
Business.	483	-	-	483
Operations and maintenance	427,196	-	446	427,642
Pupil transportation	534,105	-	-	534,105
Central	3,500	-	-	3,500
Operation of non-instructional services:				
Other operation of non-instructional.	-	2,962	15,393	18,355
Food service operations.	-	-	251,085	251,085
Extracurricular activities	91,604	-	26,681	118,285
Facilities acquisition and construction.	496,623	-	-	496,623
Debt service:				
Principal retirement.	16,533	-	19,000	35,533
Interest and fiscal charges	953	-	31,258	32,211
Total expenditures	<u>6,525,253</u>	<u>262,356</u>	<u>597,537</u>	<u>7,385,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>649,500</u>	<u>(5,112)</u>	<u>72,744</u>	<u>717,132</u>
Other financing sources (uses):				
Transfers in.	-	-	10,000	10,000
Transfers (out)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	639,500	(5,112)	82,744	717,132
Fund balances (deficit) at beginning of year.	<u>4,772,229</u>	<u>(82,898)</u>	<u>139,385</u>	<u>4,828,716</u>
Fund balances (deficit) at end of year	<u>\$ 5,411,729</u>	<u>\$ (88,010)</u>	<u>\$ 222,129</u>	<u>\$ 5,545,848</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	717,132
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 671,856	
Current year depreciation	<u>(120,808)</u>	
Total		551,048
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	19,152	
Intergovernmental	<u>56,551</u>	
Total		75,703
Repayment of lease purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		35,533
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		331,596
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(188,241)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(7,439)</u>
Change in net position of governmental activities	\$	<u>1,515,332</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2016

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 19,652
Total assets.	<u>\$ 19,652</u>
Liabilities:	
Due to students.	\$ 19,652
Total liabilities	<u>\$ 19,652</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established through the consolidation of existing land areas and school districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates one elementary school and one comprehensive high school. The District employs 18 non-certified, 31 certified employees and 4 administrators to provide services to 359 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technology Center

The Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Miami Valley Career Technology Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. Financial information is available from the Miami Valley Career Technology Center, Matt Huffman, who serves as Treasurer at 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Council (SOEPC)

SOEPC is a purchasing cooperative made up of over 100 school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year of prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's general fund. Financial information is available from SOEPC by contacting Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2016, the District paid META Solutions \$11,617 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

PUBLIC ENTITY RISK POOL

Sheakley Workers' Compensation Group Retrospective Rating Plan

The District participates in a group retrospective rating plan for workers' compensation. The Sheakley Workers' Compensation Group Retrospective Rating Plan is a program where the District will continue to pay their individual bureau of workers' compensation premiums for the program year as required. The Bureau of Workers Compensation will evaluate the group's claim losses (compensation and medical costs, as well as claim reserves), at 12, 24 and 36 months following the end of the group retro policy year. If the Bureau of Workers Compensation findings result in a group retrospective premium calculation lower than the group's standard premium, participating employers may be entitled to a refund. Each year, the participating school districts pay an enrollment fee to Sheakley to cover the costs of administering the program.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Title I - disadvantaged children fund - This fund is used to provide assistance to State and local educational agencies to meet the special needs of educationally deprived children.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

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

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 13 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but STAR Ohio has adopted GASB Statement No. 79, "Certain External Investment Pools and Pool Participants". Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price at which the District's investment could be sold on June 30, 2016. The District also had deposited funds in the STAR Ohio Plus program. The STAR Ohio Plus program allows Ohio's political subdivisions to deposit monies in a network of FDIC-insured banks via a single account.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$14,946, which includes \$675 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

F. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

G. Capital Assets

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

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

H. Interfund Balances

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

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Lease purchase agreements and other long-term obligations are recognized as a liability on the fund statements when due.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statement.

N. Estimates

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

O. Interfund Activity

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

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had neither for fiscal year 2016.

R. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "*Fair Value Measurement and Application*", GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*".

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

	<u>Deficit</u>
Title I - disadvantaged children	\$ 88,010
 <u>Nonmajor funds</u>	
Title VI - IDEA part B	17,178
Improving teacher quality	12,452

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$5,213,199. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, the District’s entire bank balance of \$5,254,964 was covered by the FDIC.

B. Investments

As of June 30, 2016, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	<u>\$ 586,511</u>	<u>\$ 586,511</u>

The District’s investments in STAR Ohio are valued at the daily redemption value as reported by the underlying fund (Level 1 Inputs).

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 586,511	<u>100%</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,213,199
Investments	<u>586,511</u>
Total	<u>\$ 5,799,710</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,780,058
Agency fund	<u>19,652</u>
Total	<u>\$ 5,799,710</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
District managed student activities nonmajor governmental fund	<u>\$ 10,000</u>

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

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2016 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Title I - disadvantaged children	\$ 197,565
	Food service nonmajor governmental fund	<u>14,927</u>
	Total	<u>\$ 212,492</u>

The primary purpose of the interfund balance is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. The interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$181,063 in the general fund and \$5,509 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$157,675 in the general fund and \$4,562 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 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 inflows.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 91,572,890	94.63	\$ 90,976,260	94.41
Public utility personal	<u>5,197,370</u>	<u>5.37</u>	<u>5,381,690</u>	<u>5.59</u>
Total	<u>\$ 96,770,260</u>	<u>100.00</u>	<u>\$ 96,357,950</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$61.40		\$61.40	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 3,481,197
Accounts	767
Intergovernmental:	
General	
Medicaid school program	45,864
SERS refund	21,251
State foundation	3,004
Nonmajor governmental funds	
Food service	5,963
Title I - disadvantaged children	130,376
Title VI - IDEA Part-B	15,079
Improving teacher quality	<u>11,141</u>
Total intergovernmental	<u>232,678</u>
Total	<u>\$ 3,714,642</u>

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance			Balance
	<u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/16</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 192,660	\$ -	\$ -	\$ 192,660
Construction in progress	147,766	482,115	(309,877)	320,004
Total capital assets, not being depreciated	<u>340,426</u>	<u>482,115</u>	<u>(309,877)</u>	<u>512,664</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	498,235	-	-	498,235
Buildings and improvements	2,836,871	472,034	-	3,308,905
Furniture and equipment	474,744	27,584	-	502,328
Vehicles	419,356	-	(6,000)	413,356
Total capital assets, being depreciated	<u>4,229,206</u>	<u>499,618</u>	<u>(6,000)</u>	<u>4,722,824</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(424,479)	(7,772)	-	(432,251)
Buildings and improvements	(1,787,424)	(67,811)	-	(1,855,235)
Furniture and equipment	(425,276)	(22,555)	-	(447,831)
Vehicles	(362,681)	(22,670)	6,000	(379,351)
Total accumulated depreciation	<u>(2,999,860)</u>	<u>(120,808)</u>	<u>6,000</u>	<u>(3,114,668)</u>
Governmental activities capital assets, net	<u>\$ 1,569,772</u>	<u>\$ 860,925</u>	<u>\$ (309,877)</u>	<u>\$ 2,120,820</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 36,550
<u>Support services:</u>	
Board of education	26,061
Administration	267
Operation and maintenance	32,973
Pupil transportation	22,670
Central	473
Food service operations	<u>1,814</u>
Total depreciation expense	<u>\$ 120,808</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LEASE-PURCHASE AGREEMENT - LESSEE DISCLOSURE

In 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for the construction of an administration building. US Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments is general operating revenues of the District. Capital assets acquired by the lease have been capitalized in the amount of \$708,000, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2016 was \$331,899 leaving a current book value of \$376,101. During fiscal year 2016, the District paid \$19,000 in principal and \$31,258 in interest and fiscal charges on the lease-purchase agreement. Principal and interest payments are recorded as debt service expenditures in the nonmajor permanent improvement capital projects fund.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 20,000	\$ 29,573	\$ 49,573
2018	22,000	28,353	50,353
2019	23,000	27,046	50,046
2020	24,000	25,680	49,680
2021	26,000	24,228	50,228
2022 - 2026	152,000	96,272	248,272
2027 - 2031	204,000	45,029	249,029
2032	<u>48,000</u>	<u>1,394</u>	<u>49,394</u>
Total	<u>\$ 519,000</u>	<u>\$ 277,575</u>	<u>\$ 796,575</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into a capitalized lease for copiers. This lease agreement met the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$80,527. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2016 was \$72,474, leaving a current book value of \$8,053. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2016 totaled \$16,533 and \$953, respectively, paid by the general fund.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30,

2017	<u>\$ 10,200</u>
Total minimum lease payments	10,200
Less: Amount representing interest	<u>(168)</u>
Total	<u>\$ 10,032</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2016, the following changes occurred in the governmental activities long-term obligations:

	Balance Outstanding <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/16</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Capital lease agreement	\$ 26,565	\$ -	\$ (16,533)	\$ 10,032	\$ 10,032
Lease purchase agreement	538,000	-	(19,000)	519,000	20,000
Net pension liability	5,952,387	37,622	(25,439)	5,964,570	-
Compensated absences	<u>148,540</u>	<u>19,792</u>	<u>(36,148)</u>	<u>132,184</u>	<u>23,558</u>
Total long-term obligations, governmental activities	<u>\$ 6,665,492</u>	<u>\$ 57,414</u>	<u>\$ (97,120)</u>	<u>\$ 6,625,786</u>	<u>\$ 53,590</u>

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

See Note 13 for detail on the net pension liability.

The lease purchase agreement will be paid from the permanent improvement capital projects fund (nonmajor governmental fund).

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$8,672,216 and an unvoted debt margin of \$96,358.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2016.

B. Employee Medical and Dental Insurance

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$113,747 for fiscal year 2016. Of this amount, \$6,169 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$217,849 for fiscal year 2016. Of this amount, \$33,244 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 1,459,796	\$ 4,504,774	\$ 5,964,570
Proportion of the net pension liability	0.025583100%	0.016299750%	
Pension expense	\$ 38,826	\$ 149,415	\$ 188,241

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 24,749	\$ 208,988	\$ 233,737
District contributions subsequent to the measurement date	<u>113,747</u>	<u>217,849</u>	<u>331,596</u>
Total deferred outflows of resources	<u>\$ 138,496</u>	<u>\$ 426,837</u>	<u>\$ 565,333</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 71,555	\$ 393,700	\$ 465,255
Changes in proportionate share	<u>144,366</u>	<u>472,733</u>	<u>617,099</u>
Total deferred inflows of resources	<u>\$ 215,921</u>	<u>\$ 866,433</u>	<u>\$ 1,082,354</u>

\$331,596 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (71,040)	\$ (213,325)	\$ (284,365)
2018	(71,040)	(213,325)	(284,365)
2019	(71,037)	(213,327)	(284,364)
2020	<u>21,945</u>	<u>(17,468)</u>	<u>4,477</u>
Total	<u>\$ (191,172)</u>	<u>\$ (657,445)</u>	<u>\$ (848,617)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 2,024,213	\$ 1,459,796	\$ 984,511

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 6,257,471	\$ 4,504,774	\$ 3,022,607

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$13,195.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$13,195, \$19,395, and \$14,699, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$18,166, respectively. The full amount has been contributed for fiscal year 2014.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	61,427
Current year offsets	<u>(61,427)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 292,179
Title I - disadvantaged children	45,666
Other governmental	<u>16,915</u>
Total	<u>\$ 354,760</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,425,552	\$ 2,425,552	\$ 2,560,208	\$ 134,656
Tuition	525,000	525,000	394,573	(130,427)
Earnings on investments	15,000	15,000	14,946	(54)
Contributions and donations	1,000	1,000	600	(400)
Intergovernmental - state	4,198,000	4,198,000	4,210,862	12,862
Intergovernmental - federal	6,500	6,500	6,250	(250)
Total revenues	<u>7,171,052</u>	<u>7,171,052</u>	<u>7,187,439</u>	<u>16,387</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,685,601	1,622,432	1,622,432	-
Special	927,171	878,379	878,379	-
Other	1,287,303	1,709,329	1,188,634	520,695
Support services:				
Pupil	328,117	349,961	349,961	-
Instructional staff	113,530	104,966	104,966	-
Board of education	31,134	29,309	29,309	-
Administration	720,851	710,369	710,369	-
Fiscal	277,655	262,590	262,590	-
Business	530	483	483	-
Operations and maintenance	837,937	684,574	684,574	-
Pupil transportation	611,177	649,590	649,590	-
Central	3,612	503,373	3,500	499,873
Extracurricular activities	94,415	100,000	91,874	8,126
Facilities acquisition and construction	1,282,774	1,223,815	685,748	538,067
Total expenditures	<u>8,201,807</u>	<u>8,829,170</u>	<u>7,262,409</u>	<u>1,566,761</u>
Excess of expenditures over revenues	<u>(1,030,755)</u>	<u>(1,658,118)</u>	<u>(74,970)</u>	<u>1,583,148</u>
Other financing sources (uses):				
Refund of prior year's expenditures	169,400	169,400	69,696	(99,704)
Transfers (out)	(10,321)	(10,000)	(10,000)	-
Advances in	85,000	85,000	81,837	(3,163)
Advances (out)	(167,042)	(212,492)	(212,492)	-
Sale of capital assets	100	100	100	-
Total other financing sources (uses)	<u>77,137</u>	<u>32,008</u>	<u>(70,859)</u>	<u>(102,867)</u>
Net change in fund balance	(953,618)	(1,626,110)	(145,829)	1,480,281
Fund balance at beginning of year	4,139,273	4,139,273	4,139,273	-
Prior year encumbrances appropriated	979,170	979,170	979,170	-
Fund balance at end of year	<u>\$ 4,164,825</u>	<u>\$ 3,492,333</u>	<u>\$ 4,972,614</u>	<u>\$ 1,480,281</u>

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE I - DISADVANTAGED CHILDREN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental - federal	\$ 244,894	\$ 386,414	\$ 257,244	\$ (129,170)
Total revenue	<u>244,894</u>	<u>386,414</u>	<u>257,244</u>	<u>(129,170)</u>
Expenditures:				
Current:				
Instruction:				
Special	333,198	474,707	270,273	204,434
Operation of non-instructional services	<u>3,652</u>	<u>5,202</u>	<u>2,962</u>	<u>2,240</u>
Total expenditures	<u>336,850</u>	<u>479,909</u>	<u>273,235</u>	<u>206,674</u>
Excess of revenues over (under) expenditures.	<u>(91,956)</u>	<u>(93,495)</u>	<u>(15,991)</u>	<u>77,504</u>
Other financing sources (uses):				
Advances in.	188,080	197,565	197,565	-
Advances (out)	<u>(40,000)</u>	<u>(71,941)</u>	<u>(71,941)</u>	<u>-</u>
Total other financing sources (uses)	<u>148,080</u>	<u>125,624</u>	<u>125,624</u>	<u>-</u>
Net change in fund balance	56,124	32,129	109,633	77,504
Fund balance at beginning of year	18,587	18,587	18,587	-
Prior year encumbrances appropriated	<u>1,850</u>	<u>1,850</u>	<u>1,850</u>	<u>-</u>
Fund balance at end of year	<u>\$ 76,561</u>	<u>\$ 52,566</u>	<u>\$ 130,070</u>	<u>\$ 77,504</u>

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2016 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary schedule, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2016.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - BUDGETARY PROCESS - (Continued)

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

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

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

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general and major special revenue fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue fund are as follows:

	Net Change in Fund Balance	
	<u>General Fund</u>	Title I - <u>Disadvantaged Children Fund</u>
Budget basis	\$ (145,829)	\$ 109,633
Net adjustment for revenue accruals	(16,666)	-
Net adjustment for expenditure accruals	430,452	(66,287)
Net adjustment for other sources/uses	60,859	(125,624)
Funds budgeted elsewhere	(2,793)	-
Adjustment for encumbrances	<u>313,477</u>	<u>77,166</u>
GAAP basis	<u>\$ 639,500</u>	<u>\$ (5,112)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the public school support fund and the underground storage tank fund.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.02558310%	0.02934700%	0.02934700%
District's proportionate share of the net pension liability	\$ 1,459,796	\$ 1,485,235	\$ 1,745,172
District's covered-employee payroll	\$ 770,182	\$ 852,756	\$ 796,040
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	219.23%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.01629975%	0.01836561%	0.01836561%
District's proportionate share of the net pension liability	\$ 4,504,774	\$ 4,467,152	\$ 5,321,242
District's covered-employee payroll	\$ 1,698,443	\$ 1,876,454	\$ 1,854,446
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	265.23%	238.06%	286.95%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 113,747	\$ 101,510	\$ 118,192	\$ 110,172	\$ 128,237
Contributions in relation to the contractually required contribution	<u>(113,747)</u>	<u>(101,510)</u>	<u>(118,192)</u>	<u>(110,172)</u>	<u>(128,237)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 812,479	\$ 770,182	\$ 852,756	\$ 796,040	\$ 953,435
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 113,849	\$ 116,531	\$ 94,619	\$ 117,277	\$ 120,132
<u>(113,849)</u>	<u>(116,531)</u>	<u>(94,619)</u>	<u>(117,277)</u>	<u>(120,132)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 905,720	\$ 860,643	\$ 961,575	\$ 1,194,267	\$ 1,124,831
12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 217,849	\$ 237,782	\$ 243,939	\$ 241,078	\$ 265,243
Contributions in relation to the contractually required contribution	<u>(217,849)</u>	<u>(237,782)</u>	<u>(243,939)</u>	<u>(241,078)</u>	<u>(265,243)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,556,064	\$ 1,698,443	\$ 1,876,454	\$ 1,854,446	\$ 2,040,331
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 283,305	\$ 306,469	\$ 313,249	\$ 423,398	\$ 453,300
<u>(283,305)</u>	<u>(306,469)</u>	<u>(313,249)</u>	<u>(423,398)</u>	<u>(453,300)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,179,269	\$ 2,357,454	\$ 2,409,608	\$ 3,256,908	\$ 3,486,923
13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Jefferson Township Local School District
Montgomery County
2625 South Union Road
Dayton, Ohio 45417

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Township Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2016-002 and 2016-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-001 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-004.

District's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Significant Deficiency – Non-payroll Expenditures

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly maintained, verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and perform analytical procedures to determine the reasonableness of financial data. The following deficiencies were noted for non-payroll expenditures:

Ohio Rev. Code § 149.351(A) provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code.

Contrary to this section, the District failed to retain the following documents:

- Invoice for Victoria Theater Association for a field trip in the amount of \$99.
- Invoice for Lacomedia Dinner Theater for a field trip in the amount of \$241.
- Invoice for Dayton Historical Museum for a field trip in the amount of \$294.
- Two invoices for Courtyard by Marriott for hotel stays during a leadership conference totaling \$1,437.
- Itemized receipt from Square Donuts of Richmond for the donuts with dad event in the amount of \$294.
- Receipt from Amazon.com for the purchase of a picture frame in the amount of \$42.
- Itemized receipt from Dollar Tree for banners and balloons for the elementary graduation in the amount of \$26.
- Itemized receipts from two vendors for the purchase of college signing day hats totaling \$53. We also noted the list of students documented as having received the college signing day hats was less than the number of hats purchased.
- Invoice for Pearson Education in the amount of \$218.
- Two itemized receipts from Kroger totaling \$110.
- Itemized receipt from Stockslagers Greenhouse in the amount of \$64.
- Itemized receipt from CVS Pharmacy in the amount of \$75.
- Itemized receipt from Dominos in the amount of \$47.
- Itemized receipt from OSU gift online in the amount of \$100.
- Itemized receipts were not provided for six meals purchased by Board members from various restaurants totaling \$185.
- An itemized receipt was not provided for Rob's Restaurant totaling \$203 for the Senior breakfast.
- The original invoices for 44 non-payroll expenditures tested that were copied and then shredded due to Treasurer's belief that they would fade over time.

The District established a Travel Payment and Reimbursement Policy #6550 which states "unauthorized expenses include but are not limited to alcohol, movies, fines for traffic violation, and the entertainment/meals/lodging of spouses or guests".

**FINDING NUMBER 2016-001
(Continued)**

The following expenditures did not comply with the District's travel policy:

- A plane ticket to attend a conference was purchased for a Board member's spouse in the amount of \$263.
- NSBA Annual Conference registration fees for two Board members' spouses in the amount of \$65 each for a total of \$130.
- NSBA Annual Conference registration fee for the Harvard Tour & Black Council Luncheon for a Board member's spouse for a total of \$180.

Additionally, the following internal control weaknesses were noted over non-payroll expenditures:

- A pre-paid Visa US Bank Card was opened without approval of the Board.
- Employees received gift cards as an incentive for updating the District's health insurance system. The District provided a gift card to an employee that was on long-term sick leave. The District could not explain why the employee received a gift card while on leave. The Board did not approve the issuance of these gift cards.
- The District spent \$73 in shipping charges for items purchased from the Dollar Tree because District personnel did not want to pick them up from the store.
- The District's Travel Payment and Reimbursement Policy does not include maximum amounts for which personnel may be reimbursed for travel expenses.
- The Superintendent was reimbursed for various expenses throughout the year, such as repairs, maintenance supplies, student incentives and student awards that should have been processed through the regular district purchasing procedures rather than being reimbursed.

Failure to obtain and maintain all supporting documentation for expenditures, failure to follow the Board's travel policy and failure to establish a bank card policy may result in impermissible expenditures going undetected in a timely manner which could lead to findings for recovery in future audits. Also, failure to amend the District's travel policy may result in excessive travel expenses.

The District should implement procedures to verify that proper supporting documentation is obtained and retained to support all expenditures made and ensure the accuracy of the financial statement presentation. Such documentation should be received and approved by those with appropriate authority prior to expenditure and should be maintained to evidence the details of the goods or services purchased.

The Board should update their travel policy to include maximum amounts to be reimbursed for travel expenses based on categories. The Board should comply with the Travel Payment and Reimbursement Policy. All requests for reimbursement for the entertainment, meals and lodging of spouses should be denied.

The District should establish a policy for the approval and use of bank cards. The policy should include a description of employees authorized to use these bank cards and items which may be purchased with the bank cards and provide examples of items strictly prohibited from being purchased on these bank cards.

Additionally, the District should implement procedures to avoid paying excessive shipping charges. Excessive shipping charges could be construed as a misuse of District funds.

**FINDING NUMBER 2016-001
 (Continued)**

Officials' Response:

As of the date of this report, management has taken the following corrective actions:

- All original copies of receipts and invoices are being maintained with the voucher packets.
- The travel policy is being followed and expenses for spouses are not being reimbursed. FY17 reimbursements for spouse expenses have been invoiced and/or recovered.
- Gift cards are no longer being purchased for district employees.
- There is currently no bank card being used for any expenses. Management will be reviewing a policy regarding the use of a bank card or credit card and may decide to institute proper procedures for use in the future.

FINDING NUMBER 2016-002

Material Weakness – Bank Reconciliations

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the book balances provide reasonable assurance that all receipts and expenditures have been correctly posted to the district's books and have been correctly posted by the bank. Additionally, reconciliations provide the district with a clear picture of its financial position at month-end. Strong monitoring practices of the District's financial activities are the responsibility of the Treasurer's office.

The Treasurer did not timely prepare bank reconciliations during fiscal year 2016 as follows:

<u>Month</u>	<u>Date Treasurer Prepared/Signed</u>
July 2015	March 8, 2016
August 2015	March 23, 2016
September 2015	August 31, 2016
October 2015	September 20, 2016
November 2015	September 27, 2016
December 2015	September 29, 2016
January 2016	November 1, 2016
February 2016	November 20, 2016
March 2016	November 26, 2016
April 2016	November 28, 2016
May 2016	November 29, 2016
June 2016	December 5, 2016

There was no indication the Board reviewed and approved any of the fiscal year 2016 bank reconciliations completed by the Treasurer.

Additionally, the District's June 30, 2016, outstanding checks list from the Uniform School Accounting System (USAS) carries old payroll and transfer transactions totaling \$31,365,804, which had cleared the bank but were still reflected as outstanding in the accounting system. These transactions are not reflected on the bank reconciliation.

Failure to timely prepare monthly bank reconciliations and management's failure to review and approve bank reconciliations could result in the Board's inability to make timely and informed decisions or to detect errors and/or omissions with financial records and reports. Failure to reconcile items that have cleared the bank could lead to an inaccurate financial picture of the District. If problems with the cash balances of the District should arise, the failure to remove or reconcile these items could make performing an accurate reconciliation difficult.

**FINDING NUMBER 2016-002
(Continued)**

The District should implement procedures to verify that bank reconciliations are timely and accurately performed and are then subsequently reviewed and approved by the Board.

The District should perform steps to remove or reconcile the old outstanding items. This includes working with Metropolitan Educational Technology Association to reconcile or remove these items. In the future these items should be reconciled as soon as possible. This will allow the District to perform an accurate reconciliation within the accounting system.

Officials' Response:

Since March 2017, the district's fund balances are reconciled with the banks' balances every month. The Treasurer submits the balanced reconciliation, the summary financial report of fund balances from the META system, and a budget to actual report to the Board on a monthly basis that is approved by the Board. All payroll clearance checks are being reconciled.

FINDING NUMBER 2016-003

Material Weakness – Board Monitoring

When designing the public office's system of internal control and other specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Per review of the minutes, at the monthly board meetings the Treasurer presented manually generated financial reports to the Board that consisted of the General Financial Conditions, Summary Fund Report by Fund Type, Detail of Fund Balances by Fund Type, Report of Cash and Investments, Report of Interest Income, and Year-to-Date Comparison of General Fund Balance. The Treasurer did not present any financial reports to the Board during the regular board meetings held in July 2015, November 2015, and December 2015. The Treasurer did not present the Year-to-Date Comparison of General Fund Balance report to the Board during the regular board meetings held from January 2016 through June 2016.

Additionally, during fiscal year 2016, the Treasurer did not present any reports generated directly from the financial accounting system to the Board. We obtained and reviewed all monthly manually-generated financial reports from the Treasurer and noted the fiscal year-to-date revenues, fiscal year-to-date expenditures, and current available balance amounts did not agree to the financial information posted to the financial accounting system. We also noted the Board did not receive or review any budget versus actual reports.

Failure to review and approve accurate financial activity could result in material misstatement relating to financial data. The District should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information. Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

**FINDING NUMBER 2016-003
(Continued)**

Monitoring controls should assist management in detecting material misstatements in financial or other information and could include the following:

- Regular review of financial report summaries of sufficient detail (monthly detail revenue and expenditure reports) with independently accumulated information (budgets, past performance, etc.) to identify unusual or unexpected fluctuations.
- Review of revenues/expenditures from the financial accounting system, by both individual transaction and fund total.
- Review of appropriation budgetary information (i.e. appropriations measures and estimated receipts) to what is posted the financial accounting system

Officials' Response:

The Treasurer submits the balanced reconciliation, the summary financial report of fund balances from the META system, and a budget to actual report to the Board on a monthly basis that is approved by the Board. The Treasurer explains those reports to the Board members and reports any large variances in budget to actual figures for revenue and expenses.

FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code § 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. GAAP-basis entities must file annual reports within 150 days. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750.

The District did not timely file its annual financial report with the Auditor of State. The report was due on November 28, 2016; the District did not file its annual financial report until March 1, 2017.

Failure to file the annual financial report by the required deadline could result in the assessment of fines and penalties. The District should implement procedures to verify that their annual financial report is filed with the Auditor of State within 150 days of fiscal year end.

Officials' Response:

The FY17 GAAP-basis report was submitted and filed by the deadline.



Jefferson Township Local Schools

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SUPERINTENDENT OF SCHOOLS

Richard Gates, Ph.D.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness - Accounting system reports for fiscal year 2016 and other supporting documentation for fiscal year 2015 and 2016 that were needed to test the fiscal year 2015 financial statements were unavailable.	Fully corrected	