

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2005***



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Jefferson Township Local School District, Montgomery County, prepared by Julian and Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jefferson Township Local School District is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

November 2, 2006

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of Jefferson Township Local School District, (the "District"), Montgomery County, Ohio as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Township Local School District, Montgomery County, as of June 30, 2005, and the respective changes in financial position, thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures, Expenses and Liabilities by Cost-Sharing Employers", for the fiscal year ended June 30, 2005.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2006, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Jefferson Township Local School District
Page Two

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the District, taken as a whole. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
September 28, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The 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, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$157,885 which represents an 8.92% decrease from 2004.
- General revenues accounted for \$6,332,766 in revenue or 69.95% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,719,897 or 30.05% of total revenues of \$9,052,663.
- The District had \$9,210,548 in expenses related to governmental activities; \$2,719,897 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,332,766 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,341,640 in revenues and \$7,191,554 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance increased \$150,086 from a deficit of \$146,927 to \$3,159.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. A comparative analysis has been provided.

The table below provides a summary of the District's net assets for 2005 and 2004.

| | Net Assets | Net Assets |
|--|---|---|
| | Governmental Activities <u>2005</u> | Governmental Activities <u>2004</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 4,290,709 | \$ 4,529,954 |
| Capital assets, net | <u>1,510,855</u> | <u>1,562,128</u> |
| Total assets | <u>5,801,564</u> | <u>6,092,082</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 3,232,991 | 3,301,045 |
| Long-term liabilities | <u>955,676</u> | <u>1,020,255</u> |
| Total liabilities | <u>4,188,667</u> | <u>4,321,300</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 806,855 | 823,128 |
| Restricted | 402,782 | 450,187 |
| Unrestricted | <u>403,260</u> | <u>497,467</u> |
| Total net assets | <u>\$ 1,612,897</u> | <u>\$ 1,770,782</u> |

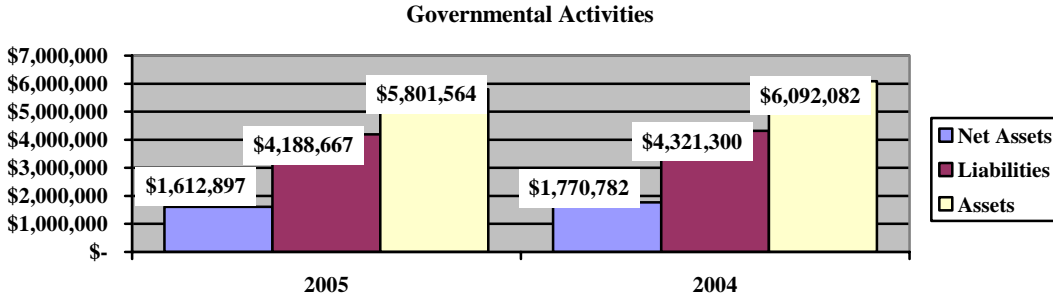
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$1,612,897. Of this total, \$403,260 is unrestricted in use.

At year-end, capital assets represented 26.04% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$806,855. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

A portion of the District's net assets, \$402,782, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$403,260 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2005 and 2004.

| | Change in Net Assets | |
|------------------------------------|---|---|
| | Governmental Activities <u>2005</u> | Governmental Activities <u>2004</u> |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 884,939 | \$ 836,003 |
| Operating grants and contributions | 1,795,509 | 1,315,818 |
| Capital grants and contributions | 39,449 | 353,391 |
| General revenues: | | |
| Property taxes | 2,587,441 | 3,311,739 |
| Grants and entitlements | 3,598,822 | 3,889,830 |
| Investment earnings | 19,040 | 7,324 |
| Other | <u>127,463</u> | <u>42,737</u> |
| Total revenues | <u>9,052,663</u> | <u>9,756,842</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

| | Change in Net Assets | |
|--|---|---|
| | Governmental Activities <u>2005</u> | Governmental Activities <u>2004</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 2,447,829 | \$ 2,420,936 |
| Special | 881,870 | 1,105,247 |
| Vocational | 51,602 | 66,666 |
| Other | 1,264,647 | 904,556 |
| Support services: | | |
| Pupil | 211,880 | 228,106 |
| Instructional staff | 188,715 | 270,645 |
| Board of education | 74,930 | 63,990 |
| Administration | 623,171 | 766,187 |
| Fiscal | 1,061,408 | 765,364 |
| Business | 41,952 | 19 |
| Operations and maintenance | 968,252 | 1,004,872 |
| Pupil transportation | 660,370 | 594,760 |
| Central | 119,165 | 52,992 |
| Food service operations | 411,169 | 532,931 |
| Operations of non-instructional services | 9,097 | 5,148 |
| Extracurricular activities | 172,421 | 190,649 |
| Intergovernmental | - | 4,404 |
| Interest and fiscal charges | <u>22,070</u> | <u>44,348</u> |
| Total expenses | <u><u>9,210,548</u></u> | <u><u>9,021,820</u></u> |
| Change in net assets | (157,885) | 735,022 |
| Net assets beginning of year | <u>1,770,782</u> | <u>1,035,760</u> |
| Increase in net assets | <u><u>1,612,897</u></u> | <u><u>1,770,782</u></u> |

Governmental Activities

Net assets of the District's governmental activities decreased by \$157,885. Total governmental expenses of \$9,210,548 were offset by program revenues of \$2,719,897 and general revenues of \$6,332,766. Program revenues supported 29.53% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 68.34% of total governmental revenue.

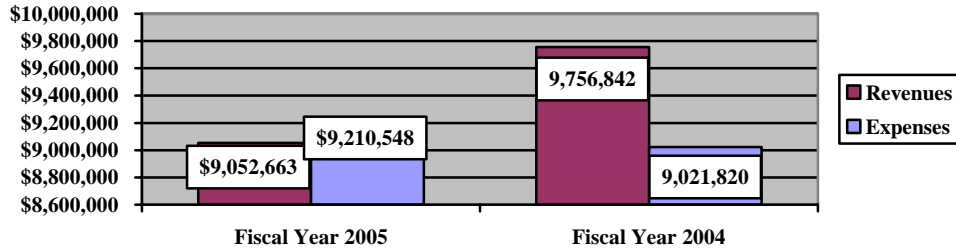
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,645,948 or 50.44% of total governmental expenses for fiscal 2005.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

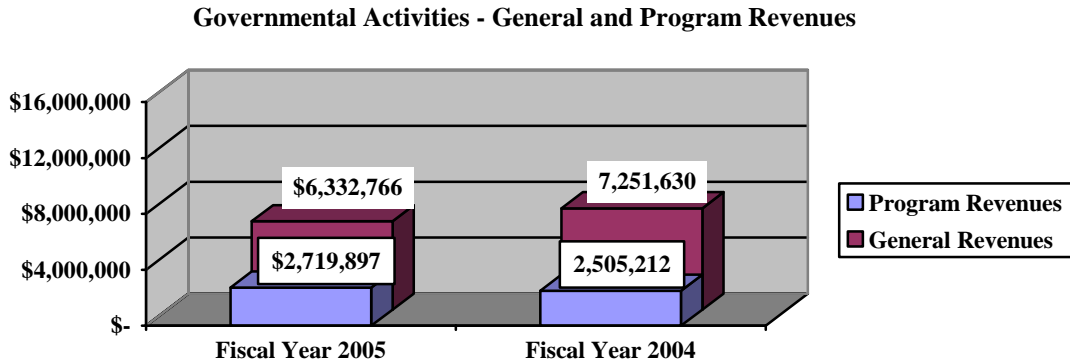
| | Total Cost of Services 2005 | Net Cost of Services 2005 | Total Cost of Services 2004 | Net Cost of Services 2004 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 2,447,829 | \$ 1,338,672 | \$ 2,420,936 | \$ 1,310,548 |
| Special | 881,870 | 152,619 | 1,105,247 | 459,014 |
| Vocational | 51,602 | 51,602 | 66,666 | 66,666 |
| Other | 1,264,647 | 1,264,480 | 904,556 | 903,552 |
| Support services: | | | | |
| Pupil | 211,880 | 119,936 | 228,106 | 204,571 |
| Instructional staff | 188,715 | 103,772 | 270,645 | 141,091 |
| Board of education | 74,930 | 74,930 | 63,990 | 63,990 |
| Administration | 623,171 | 560,489 | 766,187 | 750,966 |
| Fiscal | 1,061,408 | 1,051,812 | 765,364 | 761,817 |
| Business | 41,952 | 41,952 | 19 | 19 |
| Operations and maintenance | 968,252 | 933,384 | 1,004,872 | 1,004,872 |
| Pupil transportation | 660,370 | 644,578 | 594,760 | 594,760 |
| Central | 119,165 | 19,965 | 52,992 | 33,156 |
| Operations of non-instructional services | 9,097 | 2,228 | 5,148 | (3,542) |
| Food service operations | 411,169 | (19,985) | 532,931 | 41,567 |
| Extracurricular activities | 172,421 | 128,147 | 190,649 | 134,809 |
| Intergovernmental | - | - | 4,404 | 4,404 |
| Interest and fiscal charges | 22,070 | 22,070 | 44,348 | 44,348 |
| Total expenses | \$ 9,210,548 | \$ 6,490,651 | \$ 9,021,820 | \$ 6,516,608 |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The dependence upon tax and other general revenues for governmental activities is apparent, 60.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.47%. District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$475,586, which is higher than last year's total of \$305,285. The June 30, 2004 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

| | Fund Balance June 30, 2005 | Restated Fund Balance June 30, 2004 | Increase (Decrease) | Percentage Change |
|--------------------|-------------------------------|---|------------------------|----------------------|
| General | \$ 3,159 | \$ (146,927) | \$ 150,086 | 102.15% |
| Other Governmental | 472,427 | 452,212 | 20,215 | 4.47% |
| Total | <u>\$ 475,586</u> | <u>\$ 305,285</u> | <u>\$ 170,301</u> | 55.78% |

General Fund

The District's general fund balance increased by \$150,086. The increase in fund balance can be attributed to several items related to increasing revenues and decreased expenditures. Revenues exceed expenditures for fiscal year 2005 by \$246,063. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

| | 2005 <u>Amount</u> | Restated 2004 <u>Amount</u> | Increase (Decrease) <u></u> | Percentage Change <u></u> |
|---|-------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 2,838,152 | \$ 2,829,610 | \$ 8,542 | 0.30% |
| Tuition | 754,888 | 702,093 | 52,795 | 7.52% |
| Earnings on investments | 16,081 | 6,800 | 9,281 | 136.49% |
| Other local revenues | 133,947 | 38,055 | 95,892 | 251.98% |
| Intergovernmental | <u>3,598,572</u> | <u>3,889,830</u> | <u>(291,258)</u> | -7.49% |
| Total | <u>\$ 7,341,640</u> | <u>\$ 7,466,388</u> | <u>\$ (124,748)</u> | -1.67% |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 3,523,760 | \$ 3,384,148 | \$ 139,612 | 4.13% |
| Support services | 3,410,685 | 3,256,433 | 154,252 | 4.74% |
| Non-instructional services | 1,263 | 1,836 | (573) | -31.21% |
| Extracurricular activities | 116,869 | 114,900 | 1,969 | 1.71% |
| Facilities acquisition and construction | 43,000 | - | 43,000 | 100.00% |
| Intergovernmental | <u>-</u> | <u>4,404</u> | <u>(4,404)</u> | -100.00% |
| Total | <u>\$ 7,095,577</u> | <u>\$ 6,761,721</u> | <u>\$ 333,856</u> | 4.94% |

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.

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,906,962 and final budgeted revenues and other financing sources were \$7,660,010. Actual revenues and other financing sources for fiscal 2005 was \$7,649,220. This represents a \$742,258 increase over original budgeted revenues. The increase is primarily due to a change in personal property tax valuation as a result of an audit conducted by the Ohio Department of Taxation on a local manufacturing company.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$7,531,804. The actual budget basis expenditures for fiscal year 2005 totaled \$7,405,713, which is \$30,282 more than the final budget appropriations of \$ 7,375,431.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$1,510,855 invested in land, and improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. See Note 8 to the basic financial statements for additional information. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

| | Governmental Activities | |
|---------------------------|-------------------------|------------------|
| | 2005 | 2004 |
| Land | \$ 220,390 | \$ 220,390 |
| Land improvements | 66,590 | 71,631 |
| Building and improvements | 979,979 | 1,025,678 |
| Furniture and equipment | 28,895 | 36,466 |
| Vehicles | 215,001 | 207,963 |
| Total | \$ 1,510,855 | \$ 1,562,128 |

The overall decrease in capital assets of \$51,273 is due to depreciation expense of \$105,273 exceeding capital outlay of \$54,000 in the fiscal year.

Debt Administration

At June 30, 2005, the District had \$25,000 in asbestos removal notes and \$679,000 in energy conservation bonds outstanding. Of this total, \$36,000 is due within one year and \$668,000 is due within greater than one year. See Note 9 to the basic financial statements for additional information. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

| | Governmental Activities | Governmental Activities |
|---------------------------|----------------------------|----------------------------|
| | 2005 | 2004 |
| Asbestos removal notes | \$ 25,000 | \$ 50,000 |
| Energy conservation bonds | 679,000 | 689,000 |
| Total | \$ 704,000 | \$ 739,000 |

At June 30, 2005, the District's overall legal debt margin was \$7,099,798, and an unvoted debt margin of \$78,887.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Current Financial Related Activities

The District no doubt faces many challenges in the future. Nevertheless, for the moment, the District has attained some financial stability relative to the recent past that placed it in Fiscal Watch.

The District continues to rely heavily upon grants, entitlements and property taxes. Any decline in future grants will be problematic as the local taxes are not expected to increase significantly because of the economic situation of the Jefferson community. There is no known residential or anticipated business growth.

For many years, expiring levies were simply renewed, i.e., no additional monies were generated. This has to be revisited if the District is to operate in the black. Staying within the Five Year Forecast is a continuing struggle for fiscal leadership.

Another challenge for the District is the future of state funding. While the State of Ohio was found by the Ohio Supreme court in March 1997 to be operating an unconstitutional educational System, no plan has yet to be found to provide an "adequate or equitable" school funding. The District, like most others, is unable to determine the likely outcome and impact of future state funding on its financial survivability.

A lower than normal increase in funding could also be anticipated due to declining enrollment caused by the transfer of students to community schools. An anticipated improvement in academic performance may help stem this tide.

Finally, the District is committed to getting out of Fiscal Watch and meeting the fiscal challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and 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 Ms. Norkeita Howard, Interim Treasurer, Jefferson Township Local School District, 2625 S. Union Road, Dayton, Ohio 45418.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2005

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 721,881 |
| Cash with escrow agent | 4,442 |
| Receivables: | |
| Taxes | 3,226,983 |
| Intergovernmental | 325,891 |
| Prepayments | 5,041 |
| Materials and supplies inventory | 6,471 |
| Capital assets: | |
| Land | 220,390 |
| Depreciable capital assets, net | 1,290,465 |
| Capital assets, net. | 1,510,855 |
| Total assets. | 5,801,564 |
| Liabilities: | |
| Accounts payable. | 16,979 |
| Accrued wages and benefits | 414,192 |
| Pension obligation payable. | 136,386 |
| Intergovernmental payable | 85,594 |
| Deferred revenue | 2,579,403 |
| Accrued interest payable | 437 |
| Long-term liabilities: | |
| Due within one year. | 53,909 |
| Due in more than one year | 901,767 |
| Total liabilities | 4,188,667 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 806,855 |
| Restricted for: | |
| Capital projects | 57,563 |
| Debt service. | 19,661 |
| Locally funded programs | 2,926 |
| State funded programs | 47,248 |
| Federally funded programs | 239,238 |
| Student activities | 3,412 |
| Other purposes | 32,734 |
| Unrestricted. | 403,260 |
| Total net assets | \$ 1,612,897 |

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, 2005

| | Expenses | Program Revenues | | | Net (Expense) |
|---|---------------------|--------------------------------------|--|--|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 2,447,829 | \$ 755,551 | \$ 353,606 | \$ - | \$ (1,338,672) |
| Special | 881,870 | - | 729,251 | - | (152,619) |
| Vocational | 51,602 | - | - | - | (51,602) |
| Other | 1,264,647 | - | 167 | - | (1,264,480) |
| Support services: | | | | | |
| Pupil | 211,880 | - | 91,944 | - | (119,936) |
| Instructional staff | 188,715 | - | 84,943 | - | (103,772) |
| Board of education | 74,930 | - | - | - | (74,930) |
| Administration | 623,171 | 1,326 | 53,586 | 7,770 | (560,489) |
| Fiscal | 1,061,408 | - | 6,338 | 3,258 | (1,051,812) |
| Business | 41,952 | - | - | - | (41,952) |
| Operations and maintenance | 968,252 | 21,303 | 936 | 12,629 | (933,384) |
| Pupil transportation | 660,370 | - | - | 15,792 | (644,578) |
| Central | 119,165 | - | 99,200 | - | (19,965) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 411,169 | 62,485 | 368,669 | - | 19,985 |
| Other non-instructional services | 9,097 | - | 6,869 | - | (2,228) |
| Extracurricular activities | 172,421 | 44,274 | - | - | (128,147) |
| Interest and fiscal charges | 22,070 | - | - | - | (22,070) |
| Total governmental activities | \$ 9,210,548 | \$ 884,939 | \$ 1,795,509 | \$ 39,449 | (6,490,651) |
| General Revenues: | | | | | |
| Property taxes levied for: | | | | | |
| General purposes | | | | | 2,513,275 |
| Capital projects | | | | | 74,166 |
| Grants and entitlements not restricted to specific programs | | | | | |
| Investment earnings | | | | | 3,598,822 |
| Miscellaneous | | | | | 19,040 |
| | | | | | 127,463 |
| Total general revenues | | | | | 6,332,766 |
| | | | | | Change in net assets (157,885) |
| | | | | | Net assets at beginning of year 1,770,782 |
| | | | | | Net assets at end of year \$ 1,612,897 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

| | General | Other Governmental Funds | Total Governmental Funds |
|--|--------------|--------------------------------|--------------------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents | \$ 273,850 | \$ 415,796 | \$ 689,646 |
| Cash with escrow agent | - | 4,442 | 4,442 |
| Receivables: | | | |
| Taxes | 3,148,591 | 78,392 | 3,226,983 |
| Intergovernmental | - | 325,891 | 325,891 |
| Due from other funds | 63,417 | - | 63,417 |
| Loans to other funds | 35,952 | - | 35,952 |
| Prepayments | 5,041 | - | 5,041 |
| Materials and supplies inventory | - | 6,471 | 6,471 |
| Restricted assets: | | | |
| Equity in pooled cash and cash equivalents | 32,235 | - | 32,235 |
| Total assets | \$ 3,559,086 | \$ 830,992 | \$ 4,390,078 |
| Liabilities: | | | |
| Accounts payable | \$ 1,500 | \$ 15,479 | \$ 16,979 |
| Accrued wages and benefits | 316,001 | 98,191 | 414,192 |
| Pension obligation payable. | 92,622 | 43,764 | 136,386 |
| Intergovernmental payable. | 65,057 | 20,537 | 85,594 |
| Due to other funds. | - | 63,417 | 63,417 |
| Loans from other funds. | - | 35,952 | 35,952 |
| Deferred revenue. | 3,080,747 | 81,225 | 3,161,972 |
| Total liabilities | 3,555,927 | 358,565 | 3,914,492 |
| Fund Balances: | | | |
| Reserved for encumbrances | 14,521 | 133,547 | 148,068 |
| Reserved for materials and supplies inventory. | - | 6,471 | 6,471 |
| Reserved for prepayments | 5,041 | - | 5,041 |
| Reserved for property tax unavailable for appropriation | 67,844 | 2,167 | 70,011 |
| Reserved for BWC refunds. | 25,107 | - | 25,107 |
| Reserved for debt service | - | 20,098 | 20,098 |
| Reserved for school bus purchases | 7,128 | - | 7,128 |
| Reserved for loans receivable | 35,952 | - | 35,952 |
| Unreserved, undesignated, reported in: | | | |
| General fund | (152,434) | - | (152,434) |
| Special revenue funds. | - | 274,258 | 274,258 |
| Capital projects funds. | - | 35,886 | 35,886 |
| Total fund balances | 3,159 | 472,427 | 475,586 |
| Total liabilities and fund balances | \$ 3,559,086 | \$ 830,992 | \$ 4,390,078 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

| | | | |
|--|----|-----------|-----------|
| Total governmental fund balances | | \$ | 475,586 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 1,510,855 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| Taxes | \$ | 577,569 | |
| Intergovernmental revenue | | 5,000 | |
| Total | | | 582,569 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (437) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Compensated absences | | (251,676) | |
| Energy conservation notes | | (25,000) | |
| Lease purchase obligation | | (679,000) | |
| Total | | | (955,676) |
| Net assets of governmental activities | | \$ | 1,612,897 |

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, 2005

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------|---|---|
| Revenues: | | | |
| From local sources: | | | |
| Taxes | \$ 2,838,152 | \$ 84,464 | \$ 2,922,616 |
| Tuition. | 754,888 | - | 754,888 |
| Charges for services. | - | 62,055 | 62,055 |
| Earnings on investments. | 16,081 | 2,959 | 19,040 |
| Extracurricular. | - | 46,293 | 46,293 |
| Other local revenues. | 133,947 | 15,219 | 149,166 |
| Intergovernmental - State. | 3,598,572 | 471,905 | 4,070,477 |
| Intergovernmental - Federal | - | 1,369,623 | 1,369,623 |
| Total revenue | <u>7,341,640</u> | <u>2,052,518</u> | <u>9,394,158</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 2,031,299 | 391,415 | 2,422,714 |
| Special. | 176,247 | 722,710 | 898,957 |
| Vocational. | 51,662 | - | 51,662 |
| Other. | 1,264,552 | 95 | 1,264,647 |
| Support services: | | | |
| Pupil. | 95,136 | 115,964 | 211,100 |
| Instructional staff | 110,468 | 93,422 | 203,890 |
| Board of education | 48,393 | - | 48,393 |
| Administration. | 552,384 | 71,002 | 623,386 |
| Fiscal | 1,047,490 | 8,728 | 1,056,218 |
| Business | 41,952 | - | 41,952 |
| Operations and maintenance. | 880,354 | 6,215 | 886,569 |
| Pupil transportation | 606,499 | 6,375 | 612,874 |
| Central. | 28,009 | 91,156 | 119,165 |
| Operation of non-instructional services: | | | |
| Food service operations | - | 410,571 | 410,571 |
| Other non-instructional services. | 1,263 | 7,834 | 9,097 |
| Extracurricular activities. | 116,869 | 55,498 | 172,367 |
| Facilities acquisition and construction | 43,000 | 90,222 | 133,222 |
| Debt service: | | | |
| Principal retirement | - | 35,000 | 35,000 |
| Interest and fiscal charges | - | 22,073 | 22,073 |
| Total expenditures | <u>7,095,577</u> | <u>2,128,280</u> | <u>9,223,857</u> |
| Excess of revenues under expenditures | <u>246,063</u> | <u>(75,762)</u> | <u>170,301</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 95,977 | 95,977 |
| Transfers (out). | (95,977) | - | (95,977) |
| Total other financing sources (uses) | <u>(95,977)</u> | <u>95,977</u> | <u>-</u> |
| Net change in fund balances | 150,086 | 20,215 | 170,301 |
| Fund balances at beginning of year (restated) | | | |
| | <u>(146,927)</u> | <u>452,212</u> | <u>305,285</u> |
| Fund balances at end of year. | <u>\$ 3,159</u> | <u>\$ 472,427</u> | <u>\$ 475,586</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, 2005

| | | |
|--|------------------|--------------------------------|
| Net change in fund balances - total governmental funds | \$ | 170,301 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period. | | |
| Capital asset additions | \$ 54,000 | |
| Current year depreciation | <u>(105,273)</u> | |
| Total | | (51,273) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | (335,175) | |
| Intergovernmental revenue | <u>(6,320)</u> | |
| Total | | (341,495) |
| Repayment of notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. | | |
| | | 35,000 |
| Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. | | |
| Accrued interest | | 3 |
| 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>29,579</u> |
| Change in net assets of governmental activities | \$ | <u><u>(157,885)</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 2,678,103 | \$ 2,970,090 | \$ 2,970,881 | \$ 791 |
| Tuition. | 696,466 | 772,400 | 754,888 | (17,512) |
| Earnings on investments. | 14,607 | 16,200 | 19,040 | 2,840 |
| Other local revenues | 118,302 | 131,200 | 133,946 | 2,746 |
| Intergovernmental - State | 3,244,573 | 3,598,320 | 3,598,572 | 252 |
| Total revenue | <u>6,752,051</u> | <u>7,488,210</u> | <u>7,477,327</u> | <u>(10,883)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,101,668 | 2,058,035 | 2,063,478 | (5,443) |
| Special. | 347,647 | 340,429 | 342,019 | (1,590) |
| Vocational. | 44,728 | 43,799 | 44,004 | (205) |
| Other. | 1,285,390 | 1,258,703 | 1,264,583 | (5,880) |
| Support services: | | | | |
| Pupil. | 103,682 | 101,530 | 102,004 | (474) |
| Instructional staff | 104,520 | 102,350 | 102,828 | (478) |
| Board of education | 51,808 | 50,732 | 50,969 | (237) |
| Administration. | 572,807 | 560,915 | 563,535 | (2,620) |
| Fiscal | 1,064,007 | 1,041,916 | 1,046,783 | (4,867) |
| Business | 42,642 | 41,757 | 41,952 | (195) |
| Operations and maintenance. | 908,602 | 889,738 | 893,894 | (4,156) |
| Pupil transportation | 589,333 | 577,097 | 579,793 | (2,696) |
| Central. | 46,693 | 45,723 | 45,937 | (214) |
| Operation of non-instructional services | 4,796 | 4,696 | 4,718 | (22) |
| Extracurricular activities. | 115,610 | 113,210 | 113,739 | (529) |
| Facilities acquisition and construction. | 43,708 | 42,800 | 43,000 | (200) |
| Total expenditures | <u>7,427,641</u> | <u>7,273,430</u> | <u>7,303,236</u> | <u>(29,806)</u> |
| Excess of revenues over (under) expenditures. | <u>(675,590)</u> | <u>214,780</u> | <u>174,091</u> | <u>(40,689)</u> |
| Other financing sources (uses): | | | | |
| Transfers in. | 154,911 | 171,800 | 171,893 | 93 |
| Transfers (out) | (104,163) | (102,001) | (102,477) | (476) |
| Total other financing sources (uses) | <u>50,748</u> | <u>69,799</u> | <u>69,416</u> | <u>(383)</u> |
| Net change in fund balance | (624,842) | 284,579 | 243,507 | (41,072) |
| Fund balance at beginning of year. | 62,343 | 62,343 | 62,343 | - |
| Prior year encumbrances appropriated | 49,131 | 49,131 | 49,131 | - |
| Fund balance at end of year | <u>\$ (513,368)</u> | <u>\$ 396,053</u> | <u>\$ 354,981</u> | <u>\$ (41,072)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

| | Private-Purpose Trust | |
|---|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ 76 | \$ 25,985 |
| Total assets. | 76 | 25,985 |
| Liabilities: | | |
| Due to students | - | 25,985 |
| Total liabilities | - | \$ 25,985 |
| Net Assets: | | |
| Held in trust for scholarships | 76 | |
| Total net assets | \$ 76 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | <u>Private-Purpose Trust</u> |
|--|----------------------------------|
| | <u>Scholarship</u> |
| Deductions: | |
| Scholarships awarded | \$ 108 |
| Change in net assets | (108) |
| Net assets at beginning of year. | <u>184</u> |
| Net assets at end of year | <u>\$ 76</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 ranks as the 545th largest by enrollment among the 614 public school districts in the state. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 72 non-certified and 59 certified employees to provide services to 709 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technology Center

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

Metropolitan Dayton Educational Cooperative (MDECA)

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Darke, Greene, Miami and Montgomery Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. Financial information can be obtained from Jerry C. Woodyard, Executive Director of MDECA at 201 Riverside Drive, Dayton, Ohio 45405.

The District also participates in an insurance group purchasing pool, described in Note 10.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed 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. The Montgomery County Budget Commissioners waived this requirement for fiscal 2005.
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 June 30, 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 may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2005.
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 may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
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, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. 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" in the basic financial statements.

At fiscal year, the District had \$4,442 in cash and cash equivalents held by National City Bank in relation to the lease-purchase agreement discussed in Note 9.B. This amount is included in the basic financial statements as "Cash with Escrow Agent."

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private purpose trust funds. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$16,081, which includes \$9,812 assigned from other funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market 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.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for acquisitions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 5 - 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 5 - 10 years |

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables" and "due to/from other funds". Receivables and payables resulting from long-term interfund loans are classified as "loans to/from other funds". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, 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 severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation, BWC refunds, school bus purchases, debt service and loans receivable. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent monies restricted for budget stabilization and school bus purchases.

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

N. 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.

O. 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.

P. Restricted Assets

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

Q. 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

| | General | Nonmajor | Total |
|---------------------------------------|--------------|------------|------------|
| Fund Balances, June 30, 2004 | \$ (76,701) | \$ 474,234 | \$ 397,533 |
| GASB Technical Bulletin No. 2004-2 | (70,226) | (22,022) | (92,248) |
| Restated Fund Balances, June 30, 2004 | \$ (146,927) | \$ 452,212 | \$ 305,285 |

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

| | Deficit |
|------------------------------------|-----------|
| <u>Nonmajor Governmental Funds</u> | |
| Other Grant | \$ 24,418 |
| District Managed Student Activity | 7,843 |
| Ohio Reads | 4,686 |
| Summer Intervention | 6,374 |
| EHA Preschool Grant | 490 |

The Other Grant fund, District Managed Student Activity fund and EHA Preschool Grant fund, complied with Ohio state law, which does not permit a cash-basis deficit at year-end. The Ohio Reads fund and the Summer Intervention fund did not comply with State law, which does not permit a cash-basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

- i. Contrary to Ohio Revised Code 5705.10, the District had the following cash-basis deficits at June 30, 2005:

| <u>Nonmajor Governmental Funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Ohio Reads | \$ 4,486 |
| Summer Intervention | 5,388 |
| Drug Free School Grant | 486 |
| Reducing Class Size | 243 |
| Miscellaneous Federal Grants | 52,814 |

- ii. Contrary to Ohio Revised Code Section 5705.41(B), the District had expenditures exceeding appropriations as follows:

| <u>Major Fund</u> | <u>Excess</u> |
|------------------------------------|---------------|
| General | \$ 30,282 |
| <u>Nonmajor Funds</u> | |
| Smart Grant | 5,000 |
| Auxiliary Services | 2,957 |
| Career Development | 9 |
| Disadvantaged Pupil Impact Aid | 6,055 |
| SchoolNet Professional Development | 25 |
| Special Educaiton | 9,727 |
| Title V | 730 |
| Drug-Free School Grant | 4,522 |
| Preschool Grant | 2,450 |
| Improving Teacher Quality | 37,190 |
| Miscellaneous Federal Grants | 103,690 |
| SchoolNet | 1,268 |
| Special Trust | 8 |

- iii. Contrary to Ohio Revised Code Section 5705.39 total appropriations exceeded the total estimated resources in the following funds:

| <u>Nonmajor Funds</u> | <u>Excess</u> |
|----------------------------------|---------------|
| Asbestos Removal | \$ 34,236 |
| Ohio Reads | 6,300 |
| Summer Intervention | 5,551 |
| Building fund | 50,786 |
| Emergency School Building Repair | 31,338 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

- iv. Contrary to Ohio Revised Code Section 5705.41(D) the District did not properly certify its purchase orders prior to the vendor invoice date.

NOTE 4 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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.

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 or 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 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Escrow Agent

At fiscal year-end, the District had \$4,442 in cash and cash equivalents held by National City Bank in relation to the lease-purchase agreement discussed in Note 9.B. This amount is included in the basic financial statements as "Cash with Escrow Agent". These monies are invested in U.S. Government money market mutual funds which are unclassified investments under GASB No. 3 as they are not evidenced by securities that exist in physical or book entry form.

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$(93,526). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero-balance" nature of the District's bank accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$106,375 of the District's bank balance of \$206,375 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2005, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturities</u> 6 months or less |
|------------------------|-------------------|---|
| STAR Ohio | <u>\$ 841,468</u> | <u>\$ 841,468</u> |

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAA money market rating.

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, 2005:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | <u>\$ 841,468</u> | <u>100%</u> |

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

| | |
|---|-------------------|
| <u>Cash and Investments per footnote</u> | |
| Carrying amount of deposits | \$ (93,526) |
| Investments | 841,468 |
| Cash with escrow agent | <u>4,442</u> |
| Total | <u>\$ 752,384</u> |
| <u>Cash and investments per Statement of Net Assets</u> | |
| Governmental activities | \$ 726,323 |
| Private purpose funds | 76 |
| Agency funds | <u>25,985</u> |
| Total | <u>\$ 752,384</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the fiscal year ended June 30, 2005 consisted of the following, as reported in the fund financial statements:

Transfers to Nonmajor Governmental funds from:

| | |
|--------------|-----------|
| General Fund | \$ 95,977 |
|--------------|-----------|

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

- B. Interfund balances at June 30, 2005 consist of the following loans to and from other funds, as reported in the fund financial statements:

| <u>Loans To Other Funds</u> | <u>Loans From Other Funds</u> | <u>Amount</u> |
|-----------------------------|-------------------------------|---------------|
| General | Nonmajor governmental funds | \$ 35,952 |

- C. Interfund balances at June 30, 2005 consist of the following due to and from other funds, as reported in the fund financial statements:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|-------------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 63,417 | \$ - |
| <u>Nonmajor Governmental Funds:</u> | | |
| Ohio Reads | - | 4,486 |
| Summer Intervention | - | 5,388 |
| Drug Free School Grant | - | 486 |
| Reducing Class Size | - | 243 |
| Miscellaneous Federal Grants | - | 52,814 |
| Total | \$ 63,417 | \$ 63,417 |

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$67,844 in the general fund and \$2,167 in the permanent improvement fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2004 was \$200,573 in the general fund and \$6,407 in the permanent improvement fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

| | 2004 Second Half Collections | | 2005 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 67,436,750 | 84.48 | \$ 67,580,470 | 85.67 |
| Public utility personal | 6,086,910 | 7.63 | 5,868,780 | 7.44 |
| Tangible personal property | 6,309,420 | 7.89 | 5,437,390 | 6.89 |
| Total | <u>\$ 79,833,080</u> | <u>100.00</u> | <u>\$ 78,886,640</u> | <u>100.00</u> |

Tax rate per \$1,000 of assessed valuation:

| | | |
|-----------------------|---------|---------|
| Current operations | \$59.90 | \$59.90 |
| Permanent improvement | 2.00 | 2.00 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

| | |
|-------------------|---------------------|
| Taxes | \$ 3,226,983 |
| Intergovernmental | <u>325,891</u> |
| Total | <u>\$ 3,552,874</u> |

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

| | Balance <u>06/30/04</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>06/30/05</u> |
|---|----------------------------|--------------------|-------------------|----------------------------|
| <u>Governmental Activities</u> | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 220,390 | \$ - | \$ - | \$ 220,390 |
| Total capital assets, not being depreciated | <u>220,390</u> | <u>-</u> | <u>-</u> | <u>220,390</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 417,148 | - | - | 417,148 |
| Buildings and improvements | 3,970,040 | - | - | 3,970,040 |
| Furniture and equipment | 280,511 | - | - | 280,511 |
| Vehicles | 601,034 | 54,000 | - | 655,034 |
| Total capital assets, being depreciated | <u>5,268,733</u> | <u>54,000</u> | <u>-</u> | <u>5,322,733</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (345,517) | (5,041) | - | (350,558) |
| Buildings and improvements | (2,944,362) | (45,699) | - | (2,990,061) |
| Furniture and equipment | (244,045) | (7,571) | - | (251,616) |
| Vehicles | (393,071) | (46,962) | - | (440,033) |
| Total accumulated depreciation | <u>(3,926,995)</u> | <u>(105,273)</u> | <u>-</u> | <u>(4,032,268)</u> |
| Governmental activities capital assets, net | <u>\$ 1,562,128</u> | <u>\$ (51,273)</u> | <u>\$ -</u> | <u>\$ 1,510,855</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the governmental functions as follows:

| | |
|----------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 27,033 |
| <u>Support Services:</u> | |
| Board of Education | 26,537 |
| Administration | 1,090 |
| Pupil transportation | 47,592 |
| Extracurricular activities | 54 |
| Food service operations | <u>2,967</u> |
| Total depreciation expense | <u>\$ 105,273</u> |

NOTE 9 - LONG-TERM OBLIGATIONS

- A. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted as long-term obligations of the District. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues. The following is a description of the notes outstanding as of June 30, 2005:

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance Outstanding 06/30/04</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance Outstanding 06/30/05</u> | <u>Amounts Due in One Year</u> |
|--|----------------------|----------------------|-------------------------------------|------------------|--------------------|-------------------------------------|--------------------------------|
| <u>Governmental Activities</u> | | | | | | | |
| H.B. 264 - Energy conservation notes | 5.40% | 12/01/05 | \$ 50,000 | \$ - | \$ (25,000) | \$ 25,000 | \$ 25,000 |
| Total long-term obligations, governmental activities | | | <u>\$ 50,000</u> | <u>\$ -</u> | <u>\$ (25,000)</u> | <u>\$ 25,000</u> | <u>\$ 25,000</u> |

The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

| <u>Year Ending June 30</u> | <u>Principal on Notes</u> | <u>Interest on Notes</u> | <u>Total</u> |
|----------------------------|---------------------------|--------------------------|------------------|
| 2006 | <u>\$ 25,000</u> | <u>\$ 675</u> | <u>\$ 25,675</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

- B.** In a prior year, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for the construction of an administration building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenues of the District. During fiscal 2005, the District paid \$10,000 in principal and \$20,723 in interest and fiscal charges on the lease-purchase agreement. Principal and interest payments are recorded as debt service expenditures in the Debt Service fund.

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

| Fiscal Year Ending June 30 | Amount |
|-------------------------------|------------|
| 2006 | \$ 50,871 |
| 2007 | 50,219 |
| 2008 | 50,539 |
| 2009 | 50,800 |
| 2010 | 51,001 |
| 2011 - 2015 | 251,680 |
| 2016 - 2020 | 252,035 |
| 2021 - 2025 | 250,853 |
| 2026 - 2030 | 199,766 |
| 2031 - 2032 | 149,461 |
| Total | 1,357,225 |
| Less interest | (678,225) |
| Present value | \$ 679,000 |

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with National City Bank whereby the bank acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the District authorizes and directs National City Bank to make disbursements to pay the project costs from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. At June 30, 2005, the funds held by the escrow agent are reported as "Cash with Escrow Agent" in the basic financial statements.

- C.** Compensated absences will be paid from the fund in which the employee is paid. During the year ended June 30, 2005, the following changes occurred in the liabilities reported in the long-term obligations:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

| | Balance | | | Balance | Amounts |
|--|---------------------|-------------------|---------------------|-------------------|------------------|
| | <u>6/30/2004</u> | <u>Additions</u> | <u>Reductions</u> | <u>6/30/2005</u> | <u>Due in</u> |
| | | | | | <u>One Year</u> |
| <u>Governmental Activities</u> | | | | | |
| Energy conservation notes payable | \$ 50,000 | \$ - | \$ (25,000) | \$ 25,000 | \$ 25,000 |
| Obligation under lease- purchase agreement | 689,000 | - | (10,000) | 679,000 | 11,000 |
| Compensated absences payable | <u>281,255</u> | <u>127,958</u> | <u>(157,537)</u> | <u>251,676</u> | <u>17,909</u> |
| Total governmental activities long-term liabilities | <u>\$ 1,020,255</u> | <u>\$ 127,958</u> | <u>\$ (192,537)</u> | <u>\$ 955,676</u> | <u>\$ 53,909</u> |

D. 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 effects of these debt limitations at June 30, 2005 are a voted debt margin of \$7,119,896, an unvoted debt margin of \$78,887, and an Energy Conservation debt margin of \$684,980.

NOTE 10 - RISK MANAGEMENT

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 2004.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$172,187, \$176,574 and \$215,479, respectively; 56.32% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$75,216, represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$431,394, \$427,109, and \$452,369, respectively; 91.67% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$35,916 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$6,750 made by the District and \$10,827 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$30,814 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2005, were \$178,221,113 and the target level was \$335.2 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million and SERS had approximately 58,123 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$79,380 during the 2005 fiscal year.

NOTE 13 - 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 Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - 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 is as follows:

| | <u>General Fund</u> |
|---|---------------------|
| Budget basis | \$ 243,507 |
| Net adjustment for revenue accruals | (135,687) |
| Net adjustment for expenditure accruals | 193,138 |
| Net adjustment for other sources/uses | (165,393) |
| Adjustment for encumbrances | <u>14,521</u> |
| GAAP basis | <u>\$ 150,086</u> |

NOTE 14 - 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 involved in no material litigation as either plaintiff or defendant.

NOTE 15 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>BWC Refunds</u> |
|---|---------------------|--------------------------------|------------------------|
| Set-aside cash balance as of June 30, 2004 - restated | \$ (235,114) | \$ (1,159,750) | \$ 25,107 |
| Current year set-aside requirement | 113,858 | 113,858 | |
| Current year offsets | - | (88,704) | - |
| Qualifying disbursements | <u>(211,089)</u> | <u>(122,801)</u> | <u>-</u> |
| Total | <u>\$ (332,345)</u> | <u>\$ (1,257,397)</u> | <u>\$ 25,107</u> |
| Cash balance carried forward to FY 2006 | <u>\$ (332,345)</u> | <u>\$ (1,159,750)</u> | <u>\$ 25,107</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 15 - STATUTORY RESERVES - (Continued)

The District had qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero. This extra amount will be used to reduce the set-aside requirement of future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

The District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero. No portion of this extra amount can be used to reduce the set-aside requirement of future years. The negative amount presented as being carried forward to the next fiscal year remains consistent with prior years.

Monies representing BWC refunds that were received prior to April 10, 2001 have been shown as a restricted asset and reserved fund balance in the General fund since allowable expenditures are restricted by state statute.

A schedule of the restricted assets at June 30, 2005 follows:

| | |
|---|------------------|
| Amounts restricted for BWC refunds | \$ 25,107 |
| Amounts restricted for school bus purchases | <u>7,128</u> |
| Total restricted assets | <u>\$ 32,235</u> |

NOTE 16 - FISCAL WATCH

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

In October 2005, the Board adopted a resolution to request the Auditor of States office remove the District from this designation, as they have met all the required steps. The District has yet to receive a response as of the release of this report.

SUPPLEMENTAL DATA

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | PASS-THROUGH GRANT NUMBER | (E) CASH FEDERAL RECEIPTS | OTHER FEDERAL RECEIPTS | (E) CASH FEDERAL DISBURSEMENTS | OTHER FEDERAL DISBURSEMENTS |
|--|----------------|---------------------------------|------------------------------------|------------------------------|---|-----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION: | | | | | | |
| Nutrition Cluster: | | | | | | |
| (A),(C) Food Donation | 10.550 | N/A | \$ - | \$ 58,396 | \$ - | \$ 58,396 |
| (A),(D) School Breakfast Program | 10.553 | 048686-05-PU-2004 | 59,974 | - | 59,974 | - |
| (A),(D) School Breakfast Program | 10.553 | 048686-05-PU-2005 | 92,824 | - | 92,824 | - |
| (A),(D),(M) National School Lunch Program | 10.555 | 048686-LL-P4-2002 | (2,138) | - | - | - |
| (A),(D) National School Lunch Program | 10.555 | 048686-LL-P4-2004 | 67,766 | - | 67,766 | - |
| (A),(D) National School Lunch Program | 10.555 | 048686-LL-P4-2005 | 158,873 | - | 158,873 | - |
| (A),(D) Summer Food Service Program for Children | 10.559 | 048686-23-PU-2005 | 9,919 | - | 9,919 | - |
| Total U.S. Department of Agriculture and Nutrition Cluster | | | 387,218 | 58,396 | 389,356 | 58,396 |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION: | | | | | | |
| (F) Title I Grants to Local Educational Agencies | 84.010 | 048686-C1-S1-2002 | (86,930) | - | - | - |
| (G) Title I Grants to Local Educational Agencies | 84.010 | 048686-C1-S1-2004 | (14,626) | - | - | - |
| (H) Title I Grants to Local Educational Agencies | 84.010 | 048686-C1-S1-2005 | 226,277 | - | 126,629 | - |
| (H) Title I Grants to Local Educational Agencies | 84.010 | 048686-C1-SD-2004 | (6,243) | - | 20,085 | - |
| (H) Title I Grants to Local Educational Agencies | 84.010 | 048686-C1-SD-2005 | 26,274 | - | 255,615 | - |
| (H) Title I Grants to Local Educational Agencies | 84.010 | 048686-C1-SK-2005 | 45,000 | - | 14,500 | - |
| Total Title I - Grants to Local Educational Agencies | | | 189,752 | - | 416,829 | - |
| Special Education Cluster: | | | | | | |
| (B),(I) Special Education-Grants to States | 84.027 | 048686-6B-SF-2004-P | (8,503) | - | 15,460 | - |
| (B) Special Education-Grants to States | 84.027 | 048686-6B-SF-2005-P | 171,180 | - | 163,961 | - |
| Total Special Education: Grants to States | | | 162,677 | - | 179,421 | - |
| (B) Special Education-Preschool Grants | 84.173 | 048686-6B-SF-2004-P | - | - | 263 | - |
| (B) Special Education-Preschool Grants | 84.173 | 048686-PG-D7-2004-P | 1,683 | - | 1,770 | - |
| (B) Special Education-Preschool Grants | 84.173 | 048686-PG-S1-2004-P | 235 | - | 428 | - |
| Total Special Education: Preschool Grants | | | 1,918 | - | 2,461 | - |
| Total Special Education Cluster | | | 164,595 | - | 181,882 | - |
| Safe and Drug-Free Schools and Communities-State Grants | 84.186 | 048686-DR-S1-2004 | - | - | 2,919 | - |
| Safe and Drug-Free Schools and Communities-State Grants | 84.186 | 048686-DR-S1-2005 | 3,716 | - | 4,209 | - |
| Total Drug-Free Schools and Communities-State Grants | | | 3,716 | - | 7,128 | - |
| (J) Goals 2000 | 84.276 | 048686-G2S1-2001 | (12,050) | - | - | - |
| Total Goals 2000 | | | (12,050) | - | - | - |
| (K) State Grants for Innovative Programs | 84.298 | 048686-C2-S1-2001 | (1,002) | - | - | - |
| (K) State Grants for Innovative Programs | 84.298 | 048686-C2-S1-2005 | 394 | - | 394 | - |
| Total State Grants for Innovative Programs | | | (608) | - | 394 | - |
| (L) Education Technology State Grants | 84.318 | 048686-FJ-S1-2004 | (3,541) | - | - | - |
| (L) Education Technology State Grants | 84.318 | 048686-FJ-S1-2005 | 4,432 | - | 639 | - |
| (L) Education Technology State Grants | 84.318 | 048686-TF-S1-2004 | - | - | 8,851 | - |
| Total Education Technology State Grants | | | 891 | - | 9,490 | - |
| Comprehensive School Reform Demonstration | 84.332 | 048686-RF-S3-2004 | 10,935 | - | - | - |
| Total Comprehensive School Reform Demonstration | | | 10,935 | - | - | - |
| Reading First State Grants | 84.357 | 048686-RS-S1-2005 | 372,591 | - | 429,197 | - |
| Total Reading First State Grants | | | 372,591 | - | 429,197 | - |
| Improving Teacher Quality State Grants | 84.367 | 048686-TR-S1-2004 | 8,407 | - | 9,596 | - |
| Improving Teacher Quality State Grants | 84.367 | 048686-TR-S1-2005 | 55,950 | - | 56,192 | - |
| Total Improving Teacher Quality State Grants | | | 64,357 | - | 65,788 | - |
| Total U.S. Department of Education | | | 794,179 | - | 1,110,708 | - |
| Total Federal Financial Assistance | | | \$ 1,181,397 | \$ 58,396 | \$ 1,500,064 | \$ 58,396 |

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) Included as part of "Special Education Grant Cluster" in determining major programs.
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(E) This schedule was prepared on the cash basis of accounting.
(F) Amount of \$86,930 repaid to the Ohio Department of Education based on expiration of period availability.
(G) Amount of \$14,626 transferred to the next grant year based on Ohio Department of Education administrative action.
(H) Amount of \$6,243 transferred to the next grant year based on Ohio Department of Education administrative action.
(I) Amount of \$8,503 transferred to the previous grant year based on Ohio Department of Education administrative action.
(J) Amount of \$12,050 repaid to the Ohio Department of Education based on expiration of period of availability.
(K) Amount of \$1,002 repaid to the Ohio Department of Education based on expiration of period of availability.
(L) Amount of \$3,541 transferred to the next grant year based on Ohio Department of Education administrative action.
(M) Amount of \$2,138 repaid to the Ohio Department of Education based on expiration of period of availability.



Julian & Grube, Inc.

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**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Basic Financial Statements Performed in Accordance With
*Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Jefferson Township Local School District (the "District") as of and for the fiscal year ended June 30, 2005, and have issued our report thereon dated September 28, 2006. As disclosed in Note 3 to the financial statements, the District implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures, Expenses and Liabilities by Cost-Sharing Employers", for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated September 28, 2006.

Board of Education
Jefferson Township Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-JTLSD-001, 2005-JTLSD-002, 2005-JTLSD-003 and 2005-JTLSD-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of Jefferson Township Local School District in a separate letter dated September 28, 2006.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
September 28, 2006



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of Jefferson Township Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. As disclosed in Note 3 to the financial statements, the District implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures, Expenses and Liabilities by Cost-Sharing Employers", for the fiscal year ended June 30, 2005. Jefferson Township Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jefferson Township Local School District's management. Our responsibility is to express an opinion on Jefferson Township Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Township Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson Township Local School District's compliance with those requirements.

Board of Education
Jefferson Township Local School District

In our opinion, Jefferson Township Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005.

However, the results of our procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings as 2005-JTLSD-005.

Internal Control Over Compliance

The management of Jefferson Township Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson Township Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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



Julian & Grube, Inc.
September 28, 2006

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|--|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unqualified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i> | Yes |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weakness conditions reported for major federal programs?</i> | No |
| <i>d)(1)(iv)</i> | <i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under § .510?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Programs:</i> | Title I:CFDA #84.010; Reading First State Grant: CFDA #84.357. |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | No |

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

| | |
|---|---------------|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS | |
| Finding Number | 2005-JTLS-001 |

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that 33% of the expenditures tested were not certified in a timely manner.

Without certification, the District may expend more funds than available in the treasury or in the process of collection, or then funds appropriated. It may also result in unnecessary or undesirable purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District should consider using "Then" and "Now" certificates where applicable.

Client response: The Treasurer will attempt to use Then and Now certificates when applicable and issue purchase orders prior to invoices.

| | |
|----------------|---------------|
| Finding Number | 2005-JTLS-002 |
|----------------|---------------|

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following funds:

| <u>Major Fund</u> | <u>Excess</u> |
|------------------------------------|---------------|
| General | \$ 30,282 |
| <u>Nonmajor Funds</u> | |
| Smart Grant | 5,000 |
| Auxiliary Services | 2,957 |
| Career Development | 9 |
| Disadvantaged Pupil Impact Aid | 6,055 |
| SchoolNet Professional Development | 25 |
| Special Educaiton | 9,727 |
| Title V | 730 |
| Drug-Free School Grant | 4,522 |
| Preschool Grant | 2,450 |
| Improving Teacher Quality | 37,190 |
| Miscellaneous Federal Grants | 103,690 |
| SchoolNet | 1,268 |
| Special Trust | 8 |

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|-------------------------------|
| Finding Number | 2005-JT LSD-002 - (Continued) |

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Treasurer will monitor expenditures throughout the year to ensure they do not spend more than appropriated.

| | |
|----------------|-----------------|
| Finding Number | 2005-JT LSD-003 |
|----------------|-----------------|

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

| <u>Nonmajor Funds</u> | <u>Excess</u> |
|----------------------------------|---------------|
| Asbestos Removal | \$ 34,236 |
| Ohio Reads | 6,300 |
| Summer Intervention | 5,551 |
| Building fund | 50,786 |
| Emergency School Building Repair | 31,338 |

With appropriations exceeding estimated resources the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Client Response: The Treasurer will monitor the budget to ensure appropriations do not exceed estimated resources and will amend the budget as necessary.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|----------------|
| Finding Number | 2005-JTLSD-004 |

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit, that the District maintained negative cash fund balances throughout and at the end of the year. The negative cash fund balances at June 30, 2005 are in the following funds:

| <u>Nonmajor Governmental Funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Ohio Reads | \$ 4,486 |
| Summer Intervention | 5,388 |
| Drug Free School Grant | 486 |
| Reducing Class Size | 243 |
| Miscellaneous Feder Grants | 52,814 |

The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. This entails the District implementing cash management policies and procedures. Such policies and procedures should include instructions to submit cash draw downs on federal grants in a timely manner.

If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board of Education approval.

Client Response: The Treasurer will monitor expenditures in relation to revenues and transfer or advance funds as necessary.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

3. FINDINGS FOR FEDERAL AWARDS

Audit Requirement

| | |
|---------------------------|------------------------------|
| Finding Number | 2005-JTLSD-005 |
| CFDA Title and Number | N/A |
| Federal Award Number/Year | N/A |
| Federal Agency | N/A |
| Pass-Through Agency | Ohio Department of Education |

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The District expended \$1,558,460 in federal awards in fiscal year 2005 and did not have an annual Single Audit conducted until fiscal year 2006.

We recommend the District implement a monitoring procedure to ensure the District has a Single Audit conducted when required. Without a single audit being conducted in a timely manner the District is potentially affecting its federal funding status.

Client response: The Treasurer will monitor federal expenditures and complete a Single Audit annually and timely.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|------------------------------|---|--------------------------------|---|
| 2004-JTLSD-001 | Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal office. | No | Repeated, see 2005-JTLSD-001 |
| 2004-JTLSD-002 | Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until October 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances. | Yes | N/A |
| 2004-JTLSD-003 | Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. | No | Repeated, see 2005-JTLSD-002 |
| 2004-JTLSD-004 | Ohio Revised Code Section 5705.39 requires that no subdivision appropriate more than its estimated resources. | No | Repeated, see 2005-JTLSD-003 |
| 2004-JTLSD-005 | Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditure. | No | Repeated, see 2005-JTLSD-004 |
| 2004- JTLSD-006 | 31 U.S.C. 7502 (a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in federal awards to have a single audit conducted. | No | Repeated, see 2005-JTLSD-005 |



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**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 14, 2006**