

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

Basic Financial Statements

June 30, 2010

(with Independent Auditors' Report)



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Jefferson Township Local School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 3, 2011

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Township Local School District (the District) as of and for the year ended June 30, 2010, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, the District is experiencing certain financial difficulties and has been placed in fiscal emergency by the Auditor of State of Ohio.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 43 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 14, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Jefferson Township Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities increased \$1,624,819 which represents a 197.77% increase from 2009.
- General revenues accounted for \$7,686,357 in revenue or 73.81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,727,246 or 26.19% of total revenues of \$10,413,603.
- The District had \$8,871,842 in expenses related to governmental activities; \$2,727,246 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 \$7,686,357 were adequate to provide for these programs.
- The District had a special item gain on the sale of capital assets of \$83,058. This is due to the sale of Radcliff Middle School Building.
- The District's only major governmental fund is the general fund. The general fund had \$8,127,012 in revenues and special items and \$7,731,008 in expenditures and other financing uses. During fiscal year 2010, the general fund's balance increased \$396,004 from \$1,181,353 to \$1,577,357.

Using the Basic Financial Statements

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

The statement of net 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, 2010

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 2010" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 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. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 20-42 of this report.

Required Supplementary Information

The schedule of revenues, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) for the general fund is provided on pages 43-46 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2010 and June 30, 2009.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current and other assets	\$ 6,114,878	\$ 5,667,113
Capital assets, net	<u>1,410,179</u>	<u>1,314,412</u>
Total assets	<u>7,525,057</u>	<u>6,981,525</u>
<u>Liabilities</u>		
Current liabilities	3,416,409	3,711,752
Long-term liabilities	<u>1,662,239</u>	<u>2,448,183</u>
Total liabilities	<u>5,078,648</u>	<u>6,159,935</u>
<u>Net Assets</u>		
Invested in capital assets	792,179	682,412
Restricted	535,079	373,716
Unrestricted (deficit)	<u>1,119,151</u>	<u>(234,538)</u>
Total net assets	<u>\$ 2,446,409</u>	<u>\$ 821,590</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$2,446,409.

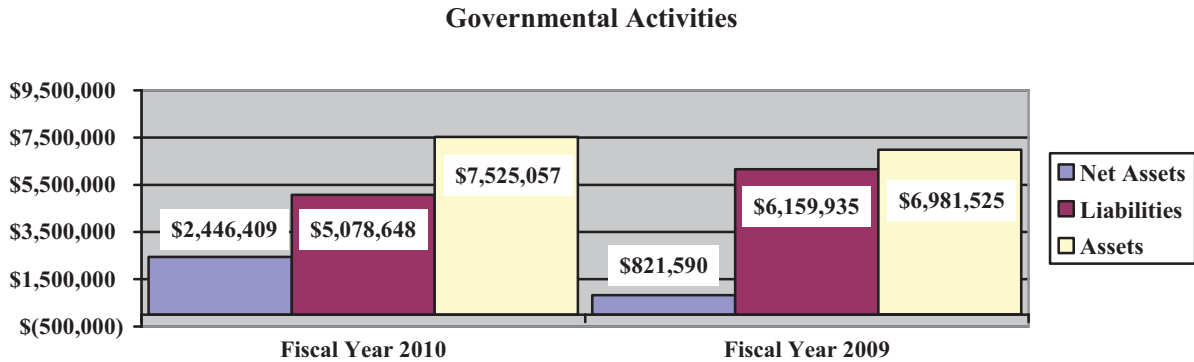
At year end, capital assets represented 18.74% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets net of related debt at June 30, 2010, were \$792,179. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$535,079, represents resources that are subject to external restriction on how they may be used.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental assets, liabilities and net assets at June 30, 2010 and June 30, 2009.



The table below shows the change in net assets for fiscal year 2010 and 2009.

	Change in Net Assets	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 624,695	\$ 657,080
Operating grants and contributions	2,102,551	2,375,707
General revenues:		
Property taxes	2,957,923	2,861,844
Grants and entitlements	4,612,345	3,848,094
Investment earnings	2,750	12,241
Other	113,339	14,013
Gain on lease termination	-	30,739
	<hr/>	<hr/>
Total revenues	<u>10,413,603</u>	<u>9,799,718</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 1,908,828	\$ 1,971,034
Special	2,002,929	1,807,792
Other	1,835,957	1,800,922
Support services:		
Pupil	190,052	159,277
Instructional staff	445,583	213,254
Board of education	41,857	45,172
Administration	577,768	783,086
Fiscal	242,597	217,136
Business	518	297
Operations and maintenance	685,421	693,636
Pupil transportation	405,396	501,776
Central	53,698	28,083
Operation of non-instructional services:		
Food service operations	327,507	407,645
Other non-instructional services	11,180	-
Extracurricular activities	105,551	154,672
Interest and fiscal charges	37,000	91,637
Total expenses	<u>8,871,842</u>	<u>8,875,419</u>
<u>Special Item</u>		
Gain on sale of building	<u>83,058</u>	-
Total special item	<u>83,058</u>	-
Change in net assets	1,624,819	924,299
Net assets at beginning of year (deficit)	<u>821,590</u>	<u>(102,709)</u>
Net assets at end of year	<u>\$ 2,446,409</u>	<u>\$ 821,590</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,624,819. Total governmental expenses of \$8,871,842 were offset by program revenues of \$2,727,246 and general revenues of \$7,686,357. Program revenues supported 30.74% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 72.70% of total governmental revenue.

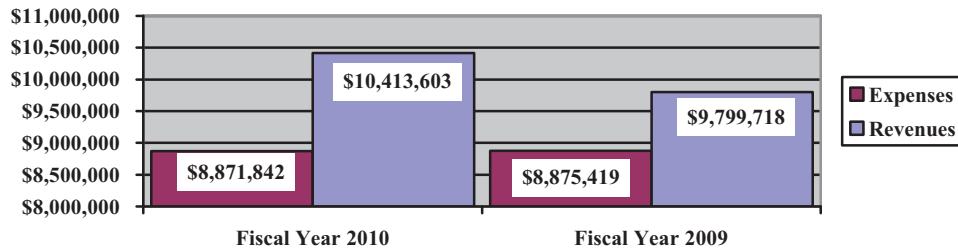
**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,747,714 or 64.79% of total governmental expenses for fiscal year 2010.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Program expenses				
Instruction:				
Regular	\$ 1,908,828	\$ 1,118,360	\$ 1,971,034	\$ 844,943
Special	2,002,929	1,292,945	1,807,792	673,640
Vocational	-	(11,925)	-	(11,391)
Other	1,835,957	1,729,405	1,800,922	1,795,957
Support services:				
Pupil	190,052	82,894	159,277	151,052
Instructional staff	445,583	54,811	213,254	30,002
Board of education	41,857	41,857	45,172	45,172
Administration	577,768	545,559	783,086	772,939
Fiscal	242,597	242,597	217,136	217,136
Business	518	518	297	297
Operations and maintenance	685,421	674,254	693,636	660,921
Pupil transportation	405,396	248,247	501,776	468,774
Central	53,698	28,407	28,083	9,346
Operation of non-instructional services:				
Food service operations	327,507	(14,920)	407,645	(30,709)
Other non-instructional services	11,180	3,570	-	-
Extracurricular activities	105,551	71,017	154,672	122,916
Interest and fiscal charges	<u>37,000</u>	<u>37,000</u>	<u>91,637</u>	<u>91,637</u>
Total expenses	<u>\$ 8,871,842</u>	<u>\$ 6,144,596</u>	<u>\$ 8,875,419</u>	<u>\$ 5,842,632</u>

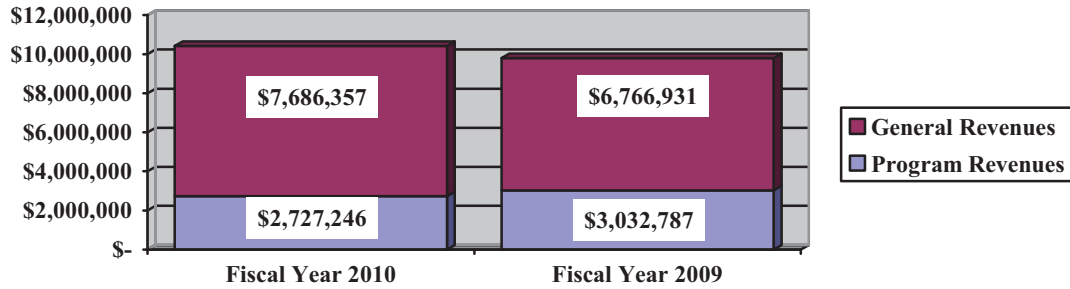
**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 71.83% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.26%.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,826,894, which is higher than last year's balance of \$1,438,960. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	<u>Fund Balance June 30, 2010</u>	<u>Fund Balance June 30, 2009</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 1,577,357	\$ 1,181,353	\$ 396,004	33.52 %
Other Governmental	<u>249,537</u>	<u>257,607</u>	<u>(8,070)</u>	(3.13) %
Total	<u>\$ 1,826,894</u>	<u>\$ 1,438,960</u>	<u>\$ 387,934</u>	26.96 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

General Fund

The District's general fund balance increased \$396,004.

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,705,425	\$ 2,698,565	\$ 6,860	0.25 %
Earnings on investments	2,750	12,241	(9,491)	(77.53) %
Tuition	551,228	558,112	(6,884)	(1.23) %
Intergovernmental	4,625,835	4,199,709	426,126	10.15 %
Other revenues	<u>119,091</u>	<u>43,858</u>	<u>75,233</u>	171.54 %
Total	<u>\$ 8,004,329</u>	<u>\$ 7,512,485</u>	<u>\$ 491,844</u>	6.55 %
<u>Expenditures</u>				
Instruction	\$ 4,701,694	\$ 4,347,266	\$ 354,428	8.15 %
Support services	2,083,340	2,288,988	(205,648)	(8.98) %
Non-instructional services	-	2,020	(2,020)	(100.00) %
Extracurricular activities	74,364	105,504	(31,140)	(29.52) %
Facilities acquisition and construction	86,610	-	86,610	100.00 %
Debt service	<u>750,000</u>	<u>61,108</u>	<u>688,892</u>	1,127.34 %
Total	<u>\$ 7,696,008</u>	<u>\$ 6,804,886</u>	<u>\$ 891,122</u>	13.10 %

Earnings on investments decreased approximately 77.53% from 2009 which can be attributed to lower interest rates on the District's investment accounts. Intergovernmental revenue increased approximately 10.15% from 2009 as a result of an increase in State foundation. The increase in other revenues of 171.54% is primarily due to the increase in funding from the American Reinvestment and Recovery Act. Extracurricular activities expenditures decreased approximately 29.52% due to less being spent on sports activities. Facilities acquisition and construction expenditures increased approximately \$86,610 due to ongoing renovations of District buildings. Debt service expenditures increased \$688,892 from 2009 which can be attributed to the District making the first payment on the solvency loan. All other revenues and expenditures remain comparable to the prior year.

General Fund Budgeting Highlights

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

For fiscal year 2010, the general fund, original budgeted revenues and other financing sources was \$8,107,866. Final budgeted revenues and other financing sources was \$8,177,481. Actual revenues and other financing sources for fiscal year 2010 was \$8,290,988. This represents an 113,507 increase from final budgeted revenues.

General fund original appropriations totaled \$7,892,075. Final appropriations totaled \$7,907,075. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$7,883,330, which was \$23,745 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$1,410,179 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2010 balances compared to June 30, 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 192,660	\$ 220,390
Construction in progress	57,596	-
Land improvements	112,616	119,064
Building and improvements	744,052	797,185
Furniture and equipment	54,081	65,818
Vehicles	249,174	111,955
 Total	 \$ 1,410,179	 \$ 1,314,412

The overall increase in capital assets of \$95,767 is due to additions of \$253,952 exceeding net disposals of \$41,803 and depreciation expense of \$116,382.

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

Debt Administration

At June 30, 2010, the District had \$750,000 in solvency assistance state loans and \$618,000 in lease purchase agreements. Of this total, \$764,000 is due within one year and \$604,000 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2010	2009
Solvency assistance state loan	\$ 750,000	\$ 1,500,000
Lease purchase agreement	618,000	632,000
Total	\$ 1,368,000	\$ 2,132,000

At June 30, 2010, the District's overall legal debt margin was \$8,974,814, and an unvoted debt margin of \$99,720.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Current Financial Related Activities

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

The District was placed in Fiscal Emergency in August 2008 by the Auditor of State. A financial planning and supervision commission (the "commission") has been established to assure the fiscal integrity of the District. Before the District will be released from Fiscal Emergency by the commission, the District will need to repay the \$1,500,000 solvency loan from the State and have met the requirements of the commission's recovery plan.

Contacting the District's Financial Management

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

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,392,009
Receivables:	
Taxes	3,335,348
Accounts.	10,269
Intergovernmental	345,163
Prepayments	8,482
Materials and supplies inventory.	23,607
Capital assets:	
Land and construction in progress.	250,256
Depreciable capital assets, net.	1,159,923
Capital assets, net.	1,410,179
 Total assets.	 7,525,057
 Liabilities:	
Accounts payable.	21,242
Contracts payable.	33,558
Retainage payable	1,942
Accrued wages and benefits	423,346
Pension obligation payable.	148,983
Intergovernmental payable	191,678
Unearned revenue	2,595,660
Long-term liabilities:	
Due within one year.	808,367
Due in more than one year	853,872
 Total liabilities	 5,078,648
 Net Assets:	
Invested in capital assets, net of related debt.	792,179
Restricted for:	
Capital projects	47,202
State funded programs.	21,110
Federally funded programs	269,203
Public school support	9,847
Other purposes	187,717
Unrestricted	1,119,151
 Total net assets	 \$ 2,446,409

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, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,908,828	\$ 409,491	\$ 380,977	\$ (1,118,360)
Special	2,002,929	141,737	568,247	(1,292,945)
Vocational	-	-	11,925	11,925
Other	1,835,957	863	105,689	(1,729,405)
Support services:				
Pupil	190,052	-	107,158	(82,894)
Instructional staff	445,583	-	390,772	(54,811)
Board of education	41,857	-	-	(41,857)
Administration	577,768	1,125	31,084	(545,559)
Fiscal	242,597	-	-	(242,597)
Business	518	-	-	(518)
Operations and maintenance	685,421	9,180	1,987	(674,254)
Pupil transportation	405,396	-	157,149	(248,247)
Central	53,698	-	25,291	(28,407)
Operation of non-instructional services:				
Food service operations	327,507	35,481	306,946	14,920
Other non-instructional services	11,180	-	7,610	(3,570)
Extracurricular activities	105,551	26,818	7,716	(71,017)
Interest and fiscal charges	37,000	-	-	(37,000)
Total governmental activities	\$ 8,871,842	\$ 624,695	\$ 2,102,551	(6,144,596)
General Revenues:				
Property taxes levied for:				
General purposes				2,881,978
Capital projects				75,945
Grants and entitlements not restricted to specific programs				4,612,345
Investment earnings				2,750
Miscellaneous				113,339
Total general revenues				7,686,357
Special item:				
Gain on sale of building				83,058
Total general revenues and special item				7,769,415
Change in net assets				1,624,819
Net assets at beginning of year				821,590
Net assets at end of year				\$ 2,446,409

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,023,017	\$ 363,542	\$ 2,386,559
Receivables:			
Taxes	3,250,411	84,937	3,335,348
Accounts.	10,269	-	10,269
Intergovernmental	-	345,163	345,163
Prepayments.	8,482	-	8,482
Materials and supplies inventory.	18,248	5,359	23,607
Loans receivable	35,952	902	36,854
Restricted assets:			
Equity in pooled cash and cash equivalents	5,450	-	5,450
Total assets	<u>\$ 5,351,829</u>	<u>\$ 799,903</u>	<u>\$ 6,151,732</u>
Liabilities:			
Accounts payable	\$ 18,770	\$ 2,472	\$ 21,242
Contracts payable.	33,558	-	33,558
Retainage payable.	1,942	-	1,942
Accrued wages and benefits.	317,404	105,942	423,346
Compensated absences payable	15,000	-	15,000
Pension obligation payable	122,768	26,215	148,983
Intergovernmental payable	183,529	8,149	191,678
Loans payable	-	36,854	36,854
Deferred revenue	554,279	302,296	856,575
Unearned revenue.	2,527,222	68,438	2,595,660
Total liabilities.	<u>3,774,472</u>	<u>550,366</u>	<u>4,324,838</u>
Fund Balances:			
Reserved for encumbrances	241,803	72,800	314,603
Reserved for materials and supplies inventory	18,248	5,359	23,607
Reserved for prepayments.	8,482	-	8,482
Reserved for property taxes unavailable for appropriation	168,910	4,364	173,274
Reserved for capital maintenance	5,450	-	5,450
Reserved for loans	35,952	902	36,854
Unreserved, undesignated, reported in:			
General fund.	1,098,512	-	1,098,512
Special revenue funds	-	157,523	157,523
Capital projects funds	-	8,589	8,589
Total fund balances	<u>1,577,357</u>	<u>249,537</u>	<u>1,826,894</u>
Total liabilities and fund balances	<u>\$ 5,351,829</u>	<u>\$ 799,903</u>	<u>\$ 6,151,732</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$	1,826,894
 <i>Amounts reported for governmental activities on 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.			1,410,179
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	568,707	
Intergovernmental receivable		<u>287,868</u>	
Total			856,575
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		279,239	
Solvency assistance loans payable		750,000	
Lease-purchase obligation payable		<u>618,000</u>	
Total			<u>(1,647,239)</u>
Net assets of governmental activities		\$	<u><u>2,446,409</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,705,425	\$ 71,318	\$ 2,776,743
Tuition	551,228	-	551,228
Charges for services	-	35,659	35,659
Earnings on investments	2,750	241	2,991
Extracurricular	-	28,806	28,806
Other local revenues	119,091	26,225	145,316
Intergovernmental - State	4,625,835	151,592	4,777,427
Intergovernmental - Federal	-	1,744,980	1,744,980
Total revenues	<u>8,004,329</u>	<u>2,058,821</u>	<u>10,063,150</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,524,304	389,540	1,913,844
Special	1,449,151	557,428	2,006,579
Other	1,728,239	107,718	1,835,957
Support services:			
Pupil	77,508	109,579	187,087
Instructional staff	182,261	259,852	442,113
Board of education	15,009	-	15,009
Administration	543,039	37,934	580,973
Fiscal	228,233	1,122	229,355
Business	518	-	518
Operations and maintenance	607,704	36,215	643,919
Pupil transportation	397,733	149,633	547,366
Central	31,335	22,363	53,698
Operations of non-instructional services:			
Food service operations	-	334,230	334,230
Other non-instructional services	-	11,180	11,180
Extracurricular activities	74,364	32,097	106,461
Facilities acquisition and construction	86,610	2,000	88,610
Debt service:			
Principal retirement	750,000	14,000	764,000
Interest and fiscal charges	-	37,000	37,000
Total expenditures	<u>7,696,008</u>	<u>2,101,891</u>	<u>9,797,899</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>308,321</u>	<u>(43,070)</u>	<u>265,251</u>
Other financing sources (uses):			
Transfers in	-	35,000	35,000
Transfers (out)	(35,000)	-	(35,000)
Total other financing sources (uses)	<u>(35,000)</u>	<u>35,000</u>	<u>-</u>
Special item:			
Gain on sale of building	122,683	-	122,683
Total special item	<u>122,683</u>	<u>-</u>	<u>122,683</u>
Net change in fund balances	396,004	(8,070)	387,934
Fund balances at beginning of year	<u>1,181,353</u>	<u>257,607</u>	<u>1,438,960</u>
Fund balances at end of year	<u>\$ 1,577,357</u>	<u>\$ 249,537</u>	<u>\$ 1,826,894</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, 2010

Net change in fund balances - total governmental funds \$ 387,934

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 137,570

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds only proceeds from the sale are reported. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (41,803)

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

Taxes	\$ 181,180	
Intergovernmental revenue	<u>169,273</u>	
Total		350,453

Repayment of lease-purchase and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 764,000

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. 26,665

Change in net assets of governmental activities \$ 1,624,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2010

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 26,862</u>
Total assets.	<u><u>\$ 26,862</u></u>
Liabilities:	
Due to students.	<u>\$ 26,862</u>
Total liabilities	<u><u>\$ 26,862</u></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, 2010**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 1 elementary school and 1 comprehensive high school. The District employs 33 non-certified and 50 certified employees to provide services to 479 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) guidance issued on or before November 30, 1989 to its governmental activities provided it does 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 Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technology Center

The 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. During fiscal year 2010, the District paid \$37,003 to MDECA.

The District also participates in an insurance group public entity risk pool, described in Note 11.

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 two categories of funds: governmental and fiduciary.

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net 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, 2010

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.

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

D. Basis of Accounting

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

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

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

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010 have been reported as deferred revenue.

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

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

E. Cash and Investments

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

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but 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 shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$2,750, which includes \$346 assigned from other District funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

F. Inventory

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

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

G. Capital Assets

Governmental capital assets are those assets generally related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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. During fiscal year 2010, the District increased its capitalization threshold from \$2,500 to \$3,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

H. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term advances not expected to be repaid within one year are classified as "loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net assets.

I. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 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, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Lease purchase agreements and other long-term obligations are recognized as a liability on the fund statements when due.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance 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, capital maintenance and loans. 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, 2010**

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

L. 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. The amount restricted for other purposes represents amounts restricted by State statute for capital maintenance, food service, special trust and underground storage tank.

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

M. Prepayments

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

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a capital maintenance. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 15.

P. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary items. During fiscal year 2010, the District had a special item for the gain on sale of Radcliff Middle School building. The proceeds from the sale of the building amounted to \$122,683 is reported on statement of revenues, expenditures and changes in fund balances governmental funds and the gain on the sale of building amounted to \$83,058, which is reported in the statement of activities.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Other grant funds	\$ 24,952
District managed student activities fund	7,540
Poverty aid	988
IDEA Part-B	49
Education stabilization fund	682
IDEA preschool grant for the handicapped	2,293
Improving teacher quality	6,568

These funds complied with Ohio State Law, which does not permit a cash basis deficit at year end. The deficit fund balances and net assets results from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$197,137. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, the District's entire bank balance of \$234,287 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2010, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 2,221,734	\$ 2,221,734

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

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

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

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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,221,734	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 197,137
Investments	<u>2,221,734</u>
Total	<u>\$2,418,871</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$2,392,009
Agency fund	<u>26,862</u>
Total	<u>\$2,418,871</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor special revenue funds	<u>\$ 35,000</u>

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

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

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

- B.** Loans consisted of the following at June 30, 2010, as reported on the fund financial statements. The underlying advances were made in a prior year and have not been repaid as of June 30, 2010.

<u>Receivable funds</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 35,952
Food service	Nonmajor governmental funds	<u>902</u>
Total		<u>\$ 36,854</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$168,910 in the general fund and \$4,364 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$216,117 in the general fund and \$5,577 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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 unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 96,543,180	93.87	\$ 95,606,450	95.51
Public utility personal	4,247,950	4.13	4,113,700	4.11
Tangible personal property	<u>2,057,162</u>	<u>2.00</u>	<u>382,610</u>	<u>0.38</u>
Total	<u>\$ 102,848,292</u>	<u>100.00</u>	<u>\$ 100,102,760</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$66.90		\$66.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$ 3,335,348
Accounts	10,269
Intergovernmental:	
Nonmajor governmental funds	
Auxillary services	618
Public school preschool	8,000
IDEA Part-B	6,356
School improvement	133,564
Title I	139,233
Improving teacher quality	10,461
Miscellaneous federal grants	17,312
Federal lunch subsidy	<u>29,619</u>
Total intergovernmental	<u>345,163</u>
Total	<u>\$ 3,690,780</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance			Balance
	<u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/10</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 220,390	\$ -	\$ (27,730)	\$ 192,660
Construction in progress	-	57,596	-	57,596
Total capital assets, not being depreciated	<u>220,390</u>	<u>57,596</u>	<u>(27,730)</u>	<u>250,256</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	498,235	-	-	498,235
Buildings and improvements	3,970,040	-	(529,596)	3,440,444
Furniture and equipment	407,683	15,000	(44,735)	377,948
Vehicles	735,034	181,356	-	916,390
Total capital assets, being depreciated	<u>5,610,992</u>	<u>196,356</u>	<u>(574,331)</u>	<u>5,233,017</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(379,171)	(6,448)	-	(385,619)
Buildings and improvements	(3,172,855)	(40,887)	517,350	(2,696,392)
Furniture and equipment	(341,865)	(24,910)	42,908	(323,867)
Vehicles	(623,079)	(44,137)	-	(667,216)
Total accumulated depreciation	<u>(4,516,970)</u>	<u>(116,382)</u>	<u>560,258</u>	<u>(4,073,094)</u>
Governmental activities capital assets, net	<u>\$ 1,314,412</u>	<u>\$ 137,570</u>	<u>\$ (41,803)</u>	<u>\$ 1,410,179</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 44,992
<u>Support services:</u>	
Board of education	25,214
Administration	267
Operation and maintenance	3,326
Pupil transportation	41,206
Food service operations	<u>1,377</u>
Total depreciation expense	<u>\$ 116,382</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LEASE-PURCHASE AGREEMENT - LESEE DISCLOSURE

In a prior fiscal 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 is permanent improvement tax revenues of the District. Capital assets acquired by the lease have been capitalized in the amount of \$708,000, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2010 was \$194,559, leaving a current book value of \$513,441. During fiscal year 2010, the District paid \$14,000 in principal and \$37,000 in interest and fiscal charges on the lease-purchase agreement. Principal and interest payments are recorded as debt service expenditures in the permanent improvement capital projects fund.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 14,000	\$ 35,906	\$ 49,906
2012	15,000	35,092	50,092
2013	16,000	34,220	50,220
2014	17,000	33,292	50,292
2015	18,000	32,304	50,304
2016 - 2020	108,000	144,496	252,496
2021 - 2025	144,000	109,054	253,054
2026 - 2030	192,000	62,110	254,110
2031 - 2032	94,000	8,250	102,250
Total	<u>\$ 618,000</u>	<u>\$ 494,724</u>	<u>\$ 1,112,724</u>

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2010, the following changes occurred in the governmental activities long-term obligations:

	Balance Outstanding 06/30/09	Additions	Reductions	Balance Outstanding 06/30/10	Amounts Due in One Year
Governmental activities:					
School solvency assistance fund loan	\$ 1,500,000	\$ -	\$ (750,000)	\$ 750,000	\$ 750,000
Lease purchase agreement	632,000	-	(14,000)	618,000	14,000
Compensated absences	316,183	32,075	(54,019)	294,239	44,367
Total long-term obligations, governmental activities	<u>\$ 2,448,183</u>	<u>\$ 32,075</u>	<u>\$ (818,019)</u>	<u>\$ 1,662,239</u>	<u>\$ 808,367</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

School solvency assistance fund loan - On August 21, 2008 the District received an advance from the school solvency assistance fund in the amount of \$1,500,000. This is an interest free loan and must be repaid within two fiscal years. The proceeds of the loan were received by the general fund and will be repaid from the general fund in two equal payments of \$750,000. The first payment was made during fiscal year 2010 and the second payment will be made in fiscal year 2011.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$8,974,814 and an unvoted debt margin of \$99,720.

NOTE 11 - 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 general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

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

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 2009.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. 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, 2010

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$109,990, \$87,407 and \$103,634, respectively; 54.60 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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, 2010**

NOTE 12 - PENSION PLANS - (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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$306,469, \$313,249 and \$423,398, respectively; 79.60 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$9,936 made by the District and \$7,097 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$18,159, \$66,446 and \$104,853, respectively; 54.60 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,541, \$7,212 and \$10,643, respectively; 54.60 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,575, \$24,096 and \$32,569, respectively; 79.60 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 a party to legal proceedings; however, the District management is of the opinion that the legal proceedings will not have a material effect, if any, on the financial condition of the District.

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. The current year set aside normally required for textbooks and capital acquisitions were not necessary as the District obtained proper legal approval from the Superintendent and by a unanimous vote of the Board of Education to appropriate the funds for other purposes. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purpose in future years. These reserves are calculated and presented on a cash basis.

During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Maintenance</u>
Set-aside balance as of June 30, 2009	\$ (401,567)	\$ 5,450
Current year set-aside requirement	87,364	87,364
Current year offsets	-	-
Qualifying disbursements	-	-
Waiver granted by Department of Education	<u>-</u>	<u>(87,364)</u>
Total	<u>\$ (314,203)</u>	<u>\$ 5,450</u>
Balance carried forward to fiscal year 2011	<u>\$ (314,203)</u>	<u>\$ 5,450</u>

A schedule of the restricted assets at June 30, 2010 follows:

Amount restricted for capital maintenance	<u>\$ 5,450</u>
-------------------------------------------	-----------------

This District was declared to be on fiscal emergency during a prior fiscal year; therefore, the District waived the set-aside requirements for textbooks/instructional materials and capital maintenance in accordance with Ohio Revised Code Section 3316.031.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 16 - FISCAL EMERGENCY

On August 11, 2008, the Auditor of State declared the District to be in a state of Fiscal Emergency under Section 3316.03(B)(2) of the Ohio Revised Code.

REQUIRED SUPPLEMENTARY INFORMATION

**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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,880,379	\$ 2,770,000	\$ 2,752,632	\$ (17,368)
Tuition	597,676	557,500	551,228	(6,272)
Transportation fees	4,817	-	-	-
Earnings on investments	6,105	3,000	2,750	(250)
Other local revenues	69,360	123,211	119,092	(4,119)
Intergovernmental - State	4,497,421	4,632,500	4,625,835	(6,665)
Total revenues	<u>8,055,758</u>	<u>8,086,211</u>	<u>8,051,537</u>	<u>(34,674)</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,624,125	1,451,873	1,447,387	4,486
Special	1,274,282	1,439,104	1,438,980	124
Vocational	6,061	-	-	-
Other	1,825,908	1,715,573	1,715,176	397
Support services:				
Pupil	198,005	102,480	102,274	206
Instructional staff	67,622	177,234	176,338	896
Board of education	24,117	15,230	15,102	128
Administration	728,157	544,566	543,701	865
Fiscal	215,332	231,993	231,617	376
Business	555	768	518	250
Operations and maintenance	728,187	599,899	594,812	5,087
Pupil transportation	487,629	413,825	413,150	675
Central	37,368	31,887	31,869	18
Operation of non-instructional services	2,051	-	-	-
Extracurricular activities	108,294	76,643	76,005	638
Facilities acquisition and construction	-	290,000	282,020	7,980
Debt service:				
Principal	507,740	750,000	750,000	-
Interest and fiscal charges	13,992	-	-	-
Total expenditures	<u>7,849,425</u>	<u>7,841,075</u>	<u>7,818,949</u>	<u>22,126</u>
Excess of revenues over expenditures	<u>206,333</u>	<u>245,136</u>	<u>232,588</u>	<u>(12,548)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	52,108	49,270	74,768	25,498
Refund of prior year's receipts	-	(1,000)	-	1,000
Transfers (out)	-	(35,000)	(35,000)	-
Advances in	-	42,000	42,000	-
Advances (out)	(42,650)	-	-	-
Other uses	-	(30,000)	(29,381)	619
Total other financing sources (uses)	<u>9,458</u>	<u>25,270</u>	<u>52,387</u>	<u>27,117</u>
Special Item:				
Gain on sale of building	-	-	122,683	122,683
Total special items	<u>-</u>	<u>-</u>	<u>122,683</u>	<u>122,683</u>
Net change in fund balance	215,791	270,406	407,658	137,252
Fund balance at beginning of year	1,239,716	1,239,716	1,239,716	-
Prior year encumbrances appropriated	97,949	97,949	97,949	-
Fund balance at end of year	<u>\$ 1,553,456</u>	<u>\$ 1,608,071</u>	<u>\$ 1,745,323</u>	<u>\$ 137,252</u>

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - BUDGETARY PROCESS - (Continued)

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

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

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

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, 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);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 407,658
Net adjustment for revenue accruals	(47,208)
Net adjustment for expenditure accruals	(160,203)
Net adjustment for other financing sources/uses	(87,387)
Adjustment for encumbrances	<u>283,144</u>
GAAP basis	<u>\$ 396,004</u>

Jefferson Township Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	LL-P4	10.555	18,714	18,714
Cash Assistance				
National School Breakfast Program	05-PU	10.553	90,218	90,218
National School Lunch Program	LL-P4	10.555	148,643	148,643
Summer Food Service Program	24-PU	10.559	41,203	41,203
Total Child Nutrition Cluster			<u>298,778</u>	<u>298,778</u>
Food Service Equipment - ARRA	N/A	10.579	<u>15,000</u>	<u>15,000</u>
Total U.S. Department of Agriculture			<u>313,778</u>	<u>313,778</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Cluster				
Title I Grant	C1-S1	84.010	265,527	247,125
Title I Grant - ARRA	C1-S1	84.389	113,584	107,308
Total Title I Cluster			<u>379,111</u>	<u>354,433</u>
Special Education Cluster:				
IDEA B	6B-SF	84.027	170,643	180,165
IDEA B - ARRA	6B-SF	84.391	149,633	149,633
IDEA Preschool	PG-SC	84.173	1,646	1,646
IDEA Preschool - ARRA	PG-SC	84.392	4,586	4,586
Total Special Education Cluster			<u>326,508</u>	<u>336,030</u>
Drug Free Schools and Communities	DR-S1	84.186	3,364	4,794
Title II-D - Technology	TJ-S1	84.318	50,213	77,544
Improving Teacher Quality	TR-S1	84.367	111,676	115,544
Reading First	RS-S1	84.357	295,470	277,523
School Improvement	N/A	84.377	94,436	89,453
Education Stabilization - ARRA	N/A	84.394	157,847	239,391
Total U.S. Department of Education			<u>1,418,625</u>	<u>1,494,712</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>1,732,403</u>	\$ <u>1,808,490</u>

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2010, the District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Township Local School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2011, wherein we noted the District is experiencing financial difficulties and has been placed in fiscal emergency. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 2010-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated January 14, 2011.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 14, 2011

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the Jefferson Township Local School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our audit procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 2010-02.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as findings 2010-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 14, 2011

Jefferson Township Local School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
Identification of major programs:	
<i>Special Education Cluster:</i>	
CFDA 84.391 – IDEA B – ARRA	
CFDA 84.392 – IDEA B Preschool – ARRA	
CFDA 84.173 – IDEA B Preschool	
CFDA 84.027 – IDEA B	
 <i>Title I Cluster:</i>	
CFDA 84.010 – Title I	
CFDA 84.389 – Title I – ARRA	
 Education Stabilization	
CFDA 84.394	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2010-01

The District contracts with outside professional assistance for financial statement preparation in conformity with accounting principles generally accepted in the United States of America (GAAP). However, management of the District is ultimately responsible for the presentation of the financial

statements.

Current audit adjustments indicate internal controls over financial reporting are not operating effectively to prevent errors and omissions from going undetected by the District or its agent during the process of preparing its annual financial statements. During the current audit, audit adjustments were required to properly report intergovernmental receivables, deferred revenue and intergovernmental revenue. The District should develop internal controls to, at a minimum, correct the weakness noted above. The District should also put monitoring procedures in place to ensure the controls are operating effectively.

Management Response:

The District will work closer with the outside firm preparing the GAAP statements, including providing more detailed information necessary to ensure accurate GAAP statements.

Finding 2010-02

The Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance indicates that the Ohio Department of Education (ODE) distributes ARRA funds to local education agencies (LEAs) as subrecipients and therefore must collect quarterly data from LEAs to meet the 1512 report requirements of the American Reinvestment and Recovery Act (ARRA). Thus, the District is required to submit to ODE any vendor that received a single payment, from a single ARRA grant, in excess of \$25,000 and the number of full time equivalent (FTE) positions saved or created from ARRA grant funding.

During our test of the above requirements we noted a total of 2 payments to vendors that were not reported, all from the Special Education Cluster. In addition, a discrepancy was noted in the number of FTEs reported to ODE and the number of employees per the District records for the Special Education Cluster.

The District should implement procedures to ensure that the information reported on the ODE 1512 ARRA Subrecipient report and FTE report comply with federal regulations. Failure to accurately report the District information to ODE could cause ODE's reporting to the Federal Agency to be inaccurate

Management Response:

Procedures are now in place to ensure the accurate reporting of ARRA funds to the Ohio Department of Education for payments to vendors in excess of \$25,000 and the number of full time equivalent positions saved or created with this funding.

Jefferson Township Local School District
Summary of Prior Audit Findings and Questioned Costs
Fiscal Year Ended June 30, 2010

Finding 2009-001 – internal control weaknesses in preparation of financial statements in accordance with GAAP, cash reconciliations and capital assets. Partially corrected. Repeated as finding 2010-01.

Finding 2009-002 – salary notices and employee contracts were not reviewed for accuracy and not reconciled to payroll register. Corrected.

Finding 2009-003 – noncompliance with Ohio Admin. Code section 117-2-02(C)(1) and Ohio Rev. Code sections 5705.36 and 5705.39. Corrected.

Finding 2009-004 – noncompliance with Ohio Rev. Code sections 5705.14 and 5705.16. Corrected.

Finding 2009-005 – District did not set aside 10% of the Title I allocation for professional development as required. Corrected.

Finding 2009-006 – noncompliance with 34 CFR part 85 section 110 – Excluded Parties List System (EPLS). Corrected.

Finding 2009-007 – District did not set aside 20% of the Title I allocation for supplemental education services. Corrected.

Finding 2009-008 – differences were noted between the FER and District reports. Corrected.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education
Jefferson Township Local School District:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Jefferson Township Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board had adopted an anti-harassment policy.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment of any student on school property or at school-sponsored events;
 - (2) A procedure for reporting prohibited incidents;
 - (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (4) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” Stat. 571, 20 O.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.
 - (5) A procedure for documenting any prohibited incident that is reported;
 - (6) A procedure for responding to and investigating any reported incident;

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- (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A statement prohibiting intimidation or bullying of any student on school property or at school-sponsored events;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the semi-annual written summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 14, 2011



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 15, 2011