

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2006***

DAVID ROBINSON, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Jefferson Township Local School District, Montgomery County, prepared by Julian & Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 24, 2008

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of Jefferson Township Local School District, Montgomery County, Ohio, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Jefferson Township Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jefferson Township Local School 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 financial position of Jefferson Township Local School District, Montgomery County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2008, on our consideration of the Jefferson Township Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

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

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

Julian & Grube, Inc.
January 28, 2008, except for Note 16 which is dated February 28, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The management's discussion and analysis of the Jefferson Township Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$341,829 which represents a 21.19% decrease from 2005.
- General revenues accounted for \$6,910,749 in revenue or 74.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,360,891 or 25.46% of total revenues of \$9,271,640.
- The District had \$9,613,469 in expenses related to governmental activities; \$2,360,891 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,910,749 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,637,690 in revenues and \$7,445,759 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance increased \$191,931 from \$3,159 to \$195,090.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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* that 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 15-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

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 22-47 of this report.

The District as a Whole

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

The table below provides a summary of the District's assets, liabilities and net assets for 2006 and 2005:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 4,024,358	\$ 4,290,709
Capital assets, net	<u>1,431,888</u>	<u>1,510,855</u>
Total assets	<u>5,456,246</u>	<u>5,801,564</u>
<u>Liabilities</u>		
Current liabilities	3,275,870	3,232,991
Long-term liabilities	<u>909,308</u>	<u>955,676</u>
Total liabilities	<u>4,185,178</u>	<u>4,188,667</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	763,888	806,855
Restricted	172,834	402,782
Unrestricted	<u>334,346</u>	<u>403,260</u>
Total net assets	<u>\$ 1,271,068</u>	<u>\$ 1,612,897</u>

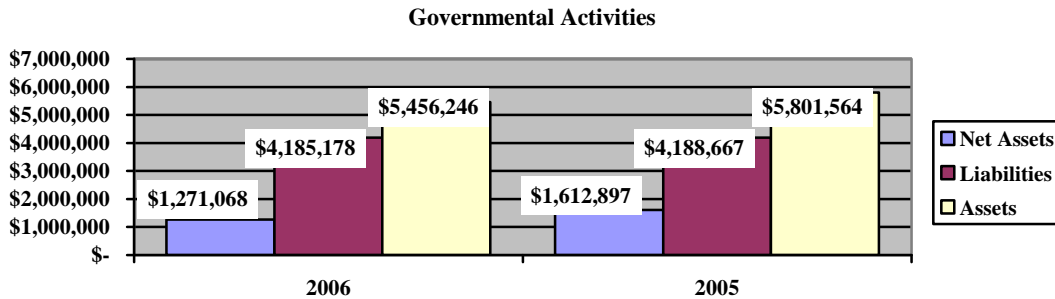
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$1,271,068. Of this total, \$334,346 is unrestricted in use.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

At year-end, capital assets represented 26.24% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006 was \$763,888. 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, \$172,834, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$334,346 may be used to meet the District's ongoing obligations to the students and creditors. The graph below shows the District's assets, liabilities and net assets at June 30, 2006 and 2005:



The table below shows the change in net assets for fiscal year 2006 and 2005.

	Change in Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 806,895	\$ 884,939
Operating grants and contributions	1,553,996	1,795,509
Capital grants and contributions	-	39,449
General revenues:		
Property taxes	3,076,190	2,587,441
Grants and entitlements	3,751,341	3,598,822
Investment earnings	50,592	19,040
Other	32,626	127,463
Total revenues	<u>9,271,640</u>	<u>9,052,663</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

	Change in Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 2,533,580	\$ 2,447,829
Special	724,373	881,870
Vocational	53,653	51,602
Other	1,709,327	1,264,647
Support services:		
Pupil	202,809	211,880
Instructional staff	406,236	188,715
Board of education	76,445	74,930
Administration	731,579	623,171
Fiscal	848,542	1,061,408
Business	-	41,952
Operations and maintenance	948,131	968,252
Pupil transportation	608,265	660,370
Central	163,922	119,165
Food service operations	407,672	411,169
Operations of non-instructional services	12,649	9,097
Extracurricular activities	146,177	172,421
Interest and fiscal charges	<u>40,109</u>	<u>22,070</u>
Total expenses	<u>9,613,469</u>	<u>9,210,548</u>
Change in net assets	(341,829)	(157,885)
Net assets at beginning of year	<u>1,612,897</u>	<u>1,770,782</u>
Net assets at end of year	<u>\$ 1,271,068</u>	<u>\$ 1,612,897</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$341,829. Total governmental expenses of \$9,613,469 were offset by program revenues of \$2,360,891 and general revenues of \$6,910,749. Program revenues supported 24.56% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 73.64% of total governmental revenue.

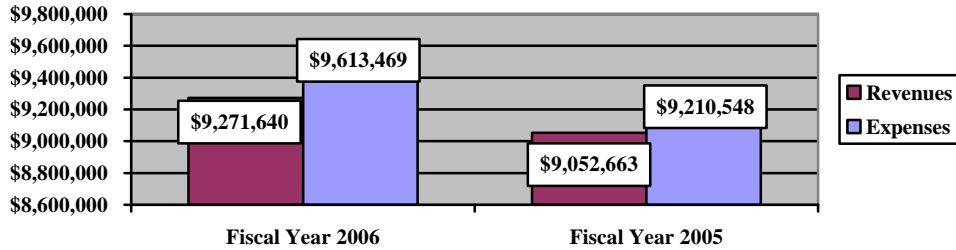
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,020,933 or 52.23% of total governmental expenses for fiscal 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

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

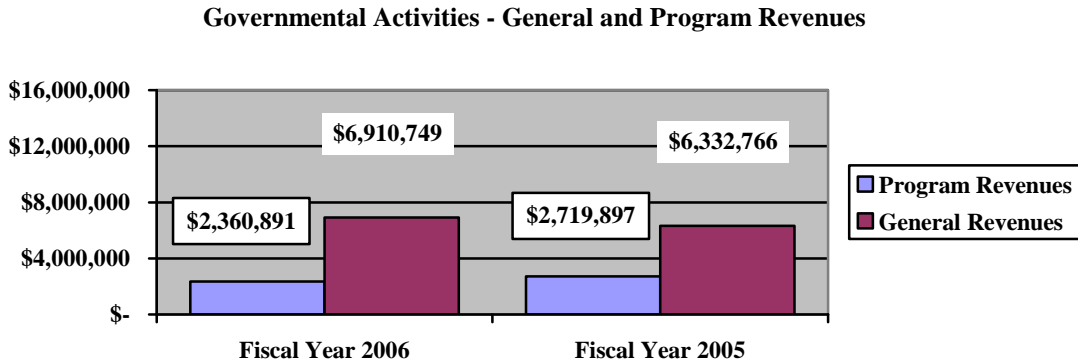
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 2,533,580	\$ 1,572,930	\$ 2,447,829	\$ 1,338,672
Special	724,373	232,774	881,870	152,619
Vocational	53,653	53,653	51,602	51,602
Other	1,709,327	1,707,574	1,264,647	1,264,480
Support services:				
Pupil	202,809	75,133	211,880	119,936
Instructional staff	406,236	286,834	188,715	103,772
Board of education	76,445	76,445	74,930	74,930
Administration	731,579	723,996	623,171	560,489
Fiscal	848,542	844,302	1,061,408	1,051,812
Business	-	-	41,952	41,952
Operations and maintenance	948,131	923,304	968,252	933,384
Pupil transportation	608,265	607,621	660,370	644,578
Central	163,922	58,017	119,165	19,965
Food service operations	407,672	(60,112)	411,169	(19,985)
Operations of non-instructional services	12,649	(1,105)	9,097	2,228
Extracurricular activities	146,177	111,103	172,421	128,147
Interest and fiscal charges	40,109	40,109	22,070	22,070
Total expenses	<u>\$ 9,613,469</u>	<u>\$ 7,252,578</u>	<u>\$ 9,210,548</u>	<u>\$ 6,490,651</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 71.04% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.44%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.



The District's Funds

The District's governmental funds reported a combined fund balance of \$229,101, which is lower than last year's total of \$475,586. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Increase (Decrease)	Percentage Change
General	\$ 195,090	\$ 3,159	\$ 191,931	607.57%
Other Governmental	34,011	472,427	(438,416)	-92.80%
Total	<u>\$ 229,101</u>	<u>\$ 475,586</u>	<u>\$ (246,485)</u>	<u>-51.83%</u>

General Fund

The District's general fund balance increased \$191,931 primarily due to an increase in tax and intergovernmental revenue. Revenues exceed expenditures for fiscal year 2006 by \$253,976 and transfers out were \$62,045.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

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

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,126,161	\$ 2,838,152	\$ 288,009	10.15%
Tuition	693,182	754,888	(61,706)	-8.17%
Earnings on investments	45,932	16,081	29,851	185.63%
Other local revenues	31,932	133,947	(102,015)	-76.16%
Intergovernmental	<u>3,740,483</u>	<u>3,598,572</u>	<u>141,911</u>	<u>3.94%</u>
Total	<u>\$ 7,637,690</u>	<u>\$ 7,341,640</u>	<u>\$ 296,050</u>	<u>4.03%</u>
<u>Expenditures</u>				
Instruction	\$ 3,932,058	\$ 3,523,760	\$ 408,298	11.59%
Support services	3,339,419	3,410,685	(71,266)	-2.09%
Non-instructional services	668	1,263	(595)	-47.11%
Extracurricular activities	111,569	116,869	(5,300)	-4.53%
Facilities acquisition and construction	<u>-</u>	<u>43,000</u>	<u>(43,000)</u>	<u>-100.00%</u>
Total	<u>\$ 7,383,714</u>	<u>\$ 7,095,577</u>	<u>\$ 288,137</u>	<u>4.06%</u>

The increase in earnings on investments is due to increasing interest rates during the fiscal year. The increase in tax revenue is due to a larger balance of taxes available as an advance as of June 30, 2006. Intergovernmental also increased 3.94% over the prior year. Instructional expenditures increased due to increased wages and benefits during the fiscal year and facilities acquisition and construction decreased \$43,000 from the prior year. All other expenditures remained consistent with prior fiscal years.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,705,486 and final budgeted revenues and other financing sources were \$7,511,161. Actual revenues and other financing sources for fiscal 2006 was \$7,476,918. This represents a \$228,568 decrease from original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$7,661,321. Final budget appropriations totaled \$8,472,459. The actual budget basis expenditures for fiscal year 2006 totaled \$7,424,130, which is \$1,048,329 less than the final budgeted appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$1,431,888 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. See Note 8 to the basic financial statements for additional information. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 220,390	\$ 220,390
Land improvements	66,404	66,590
Building and improvements	934,280	979,979
Furniture and equipment	43,405	28,895
Vehicles	167,409	215,001
Total	\$ 1,431,888	\$ 1,510,855

The overall decrease in capital assets of \$78,967 is due to depreciation expense of \$106,878 exceeding capital outlay of \$27,911 in the fiscal year.

Debt Administration

At June 30, 2006, the District had \$668,000 in lease-purchase agreements outstanding. Of this total, \$11,000 is due within one year and \$657,000 is due within greater than one year. See Note 9 to the basic financial statements for additional information. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Energy conservation notes	\$ -	\$ 25,000
Lease-purchase obligation	668,000	679,000
Total	\$ 668,000	\$ 704,000

At June 30, 2006, the District's overall legal debt margin was \$8,070,323, and an unvoted debt margin of \$89,670.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Current Financial Related Activities

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

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

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

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

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. David Robinson, Treasurer, Jefferson Township Local School District, 2625 S. Union Road, Dayton, Ohio 45418.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 742,147
Receivables:	
Taxes	3,155,134
Accounts	1,700
Intergovernmental	112,123
Prepayments	8,991
Materials and supplies inventory	4,263
Capital assets:	
Land	220,390
Depreciable capital assets, net	1,211,498
Capital assets, net.	<u>1,431,888</u>
Total assets.	<u>5,456,246</u>
Liabilities:	
Accounts payable.	4,079
Accrued wages and benefits	460,885
Pension obligation payable.	204,507
Intergovernmental payable	53,142
Deferred revenue	2,533,484
Accrued interest payable	19,773
Long-term liabilities:	
Due within one year.	24,750
Due In more than one year	884,558
Total liabilities	<u>4,185,178</u>
Net Assets:	
Invested in capital assets, net of related debt.	763,888
Restricted for:	
Capital projects	122,929
Locally funded programs	3,965
State funded programs	4,889
Federally funded programs	3,995
Student activities	4,821
Other purposes	32,235
Unrestricted.	<u>334,346</u>
Total net assets	<u><u>\$ 1,271,068</u></u>

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, 2006

	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	\$ 2,533,580	\$ 583,578	\$ 377,072	\$ (1,572,930)
Special	724,373	109,604	381,995	(232,774)
Vocational	53,653	-	-	(53,653)
Other	1,709,327	-	1,753	(1,707,574)
Support services:				
Pupil.	202,809	-	127,676	(75,133)
Instructional staff	406,236	-	119,402	(286,834)
Board of education	76,445	-	-	(76,445)
Administration.	731,579	-	7,583	(723,996)
Fiscal.	848,542	-	4,240	(844,302)
Operations and maintenance	948,131	24,395	432	(923,304)
Pupil transportation.	608,265	-	644	(607,621)
Central	163,922	-	105,905	(58,017)
Operation of non-instructional services:				
Food service operations	407,672	58,234	409,550	60,112
Other non-instructional services	12,649	-	13,754	1,105
Extracurricular activities.	146,177	31,084	3,990	(111,103)
Interest and fiscal charges	40,109	-	-	(40,109)
Total governmental activities	<u>\$ 9,613,469</u>	<u>\$ 806,895</u>	<u>\$ 1,553,996</u>	<u>(7,252,578)</u>

General Revenues:

Property taxes levied for:	
General purposes	2,982,649
Capital projects	93,541
Grants and entitlements not restricted	
to specific programs.	3,751,341
Investment earnings	50,592
Miscellaneous	<u>32,626</u>
Total general revenues.	<u>6,910,749</u>
Change in net assets	(341,829)
Net assets at beginning of year.	<u>1,612,897</u>
Net assets at end of year	<u>\$ 1,271,068</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 369,651	\$ 340,261	\$ 709,912
Receivables:			
Taxes	3,055,391	99,743	3,155,134
Accounts	1,700	-	1,700
Intergovernmental	5,510	106,613	112,123
Due from other funds	90,992	-	90,992
Loans to other funds	35,952	-	35,952
Prepayments	8,991	-	8,991
Materials and supplies inventory	-	4,263	4,263
Restricted assets:			
Equity in pooled cash and cash equivalents	32,235	-	32,235
Total assets	<u>\$ 3,600,422</u>	<u>\$ 550,880</u>	<u>\$ 4,151,302</u>
Liabilities:			
Accounts payable	\$ 3,862	\$ 217	\$ 4,079
Accrued wages and benefits	335,764	125,121	460,885
Pension obligation payable.	157,483	47,024	204,507
Intergovernmental payable.	39,611	13,531	53,142
Accrued interest payable.	-	19,773	19,773
Due to other funds.	-	90,992	90,992
Loans from other funds.	-	35,952	35,952
Deferred revenue.	2,868,612	184,259	3,052,871
Total liabilities	<u>3,405,332</u>	<u>516,869</u>	<u>3,922,201</u>
Fund Balances:			
Reserved for encumbrances	31,301	53,803	85,104
Reserved for materials and supplies inventory.	-	4,263	4,263
Reserved for prepayments	8,991	-	8,991
Reserved for property tax unavailable for appropriation	186,779	5,778	192,557
Reserved for BWC refunds.	25,107	-	25,107
Reserved for school bus purchases	7,128	-	7,128
Reserved for loans receivable	35,952	-	35,952
Unreserved, undesignated (deficit), reported in:			
General fund	(100,168)	-	(100,168)
Special revenue funds.	-	(98,146)	(98,146)
Debt service fund	-	(19,773)	(19,773)
Capital projects funds.	-	88,086	88,086
Total fund balances	<u>195,090</u>	<u>34,011</u>	<u>229,101</u>
Total liabilities and fund balances	<u>\$ 3,600,422</u>	<u>\$ 550,880</u>	<u>\$ 4,151,302</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, 2006

Total governmental fund balances		\$	229,101
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,431,888
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	429,093	
Intergovernmental revenue		<u>90,294</u>	
Total			519,387
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		241,308	
Lease-purchase obligation		<u>668,000</u>	
Total			<u>(909,308)</u>
Net assets of governmental activities		\$	<u><u>1,271,068</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, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 3,126,161	\$ 98,505	\$ 3,224,666
Tuition.	693,182	-	693,182
Charges for services.	-	57,995	57,995
Earnings on investments.	45,932	4,660	50,592
Extracurricular.	-	30,281	30,281
Other local revenues.	31,932	30,121	62,053
Intergovernmental - State.	3,740,483	437,440	4,177,923
Intergovernmental - Federal	-	1,038,130	1,038,130
Total revenue	<u>7,637,690</u>	<u>1,697,132</u>	<u>9,334,822</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,976,637	525,097	2,501,734
Special.	195,077	545,009	740,086
Vocational.	53,653	-	53,653
Other.	1,706,691	2,636	1,709,327
Support services:			
Pupil.	51,313	165,482	216,795
Instructional staff	218,136	185,423	403,559
Board of education	49,908	-	49,908
Administration.	700,661	32,724	733,385
Fiscal	844,805	10,832	855,637
Operations and maintenance.	889,469	4,414	893,883
Pupil transportation	563,546	1,248	564,794
Central.	21,581	142,341	163,922
Operation of non-instructional services:			
Food service operations	-	402,665	402,665
Other non-instructional services.	668	11,981	12,649
Extracurricular activities.	111,569	34,554	146,123
Facilities acquisition and construction	-	56,641	56,641
Debt service:			
Principal retirement	-	36,000	36,000
Interest and fiscal charges	-	40,546	40,546
Total expenditures	<u>7,383,714</u>	<u>2,197,593</u>	<u>9,581,307</u>
Excess of revenues over (under) expenditures	<u>253,976</u>	<u>(500,461)</u>	<u>(246,485)</u>
Other financing sources (uses):			
Transfers in	-	62,045	62,045
Transfers (out).	<u>(62,045)</u>	-	<u>(62,045)</u>
Total other financing sources (uses)	<u>(62,045)</u>	<u>62,045</u>	<u>-</u>
Net change in fund balances	191,931	(438,416)	(246,485)
Fund balances at beginning of	3,159	472,427	475,586
Fund balances at end of year.	<u>\$ 195,090</u>	<u>\$ 34,011</u>	<u>\$ 229,101</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, 2006

Net change in fund balances - total governmental funds	\$	(246,485)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period in the current period.</p>		
Capital asset additions	\$ 27,911	
Current year depreciation	(106,878)	
Total		(78,967)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	(148,476)	
Intergovernmental revenue	85,294	
Total		(63,182)
<p>Repayment of notes and lease-purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		36,000
<p>Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
Accrued interest		437
<p>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.</p>		
		10,368
Change in net assets of governmental activities	\$	(341,829)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,058,668	\$ 2,981,532	\$ 2,967,939	\$ (13,593)
Tuition.	708,694	690,821	687,672	(3,149)
Earnings on investments.	52,139	50,824	50,592	(232)
Other local revenues	26,837	26,160	26,041	(119)
Intergovernmental - State	3,854,829	3,757,614	3,740,483	(17,131)
Total revenue	<u>7,701,167</u>	<u>7,506,951</u>	<u>7,472,727</u>	<u>(34,224)</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,996,485	2,207,862	1,934,675	273,187
Special.	208,792	230,898	202,328	28,570
Vocational.	53,995	59,711	52,323	7,388
Other.	1,761,219	1,947,687	1,706,692	240,995
Support services:				
Pupil.	52,979	58,588	51,339	7,249
Instructional staff	219,505	242,745	212,709	30,036
Board of education	51,548	57,006	49,952	7,054
Administration.	712,495	787,929	690,436	97,493
Fiscal	871,886	964,197	844,893	119,304
Operations and maintenance.	941,044	1,040,677	911,910	128,767
Pupil transportation	589,882	652,336	571,620	80,716
Central.	22,312	24,674	21,621	3,053
Operation of non-instructional services	689	762	668	94
Extracurricular activities.	114,463	126,581	110,919	15,662
Total expenditures	<u>7,597,294</u>	<u>8,401,653</u>	<u>7,362,085</u>	<u>1,039,568</u>
Excess of revenues over (under) expenditures.	103,873	(894,702)	110,642	1,005,344
Other financing sources (uses):				
Refund of prior year expenditure.	4,319	4,210	4,191	(19)
Transfers (out)	(64,027)	(70,806)	(62,045)	8,761
Total other financing sources (uses)	<u>(59,708)</u>	<u>(66,596)</u>	<u>(57,854)</u>	<u>8,742</u>
Net change in fund balance	44,165	(961,298)	52,788	1,014,086
Fund balance at beginning of year.	354,981	354,981	354,981	-
Prior year encumbrances appropriated	14,521	14,521	14,521	-
Fund balance at end of year	<u>\$ 413,667</u>	<u>\$ (591,796)</u>	<u>\$ 422,290</u>	<u>\$ 1,014,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 76	\$ 19,910
Total assets.	<u>76</u>	<u>19,910</u>
Liabilities:		
Due to students	-	19,910
Total liabilities	<u>-</u>	<u>\$ 19,910</u>
Net Assets:		
Held in trust for scholarships	<u>76</u>	
Total net assets	<u>\$ 76</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Net assets at beginning of year.	\$ 76
Net assets at end of year	<u>\$ 76</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 567th largest by enrollment among the 615 public school districts in the state. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 41 non-certified and 56 certified employees to provide services to 702 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technology Center

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

Metropolitan Dayton Educational Cooperative (MDECA)

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

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

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

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination. The Montgomery County Budget Commissioners waived this requirement for fiscal 2006.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund type level of expenditures, which is the legal level of budgetary control and is contrary to Ohio Revised Code Section 5705.38. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund type appropriation must be approved by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund type level.

F. Cash and Investments

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

The District has invested funds in STAR Ohio during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund and the private purpose trust funds, when applicable. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$45,932, which includes \$15,152 assigned from other funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

On fund financial statements, receivables and payables resulting from the coverage of deficit cash balances are reported as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent monies restricted for BWC refunds and school bus purchases (see Note 15).

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Other Grant	\$ 24,418
District Managed Student Activity	10,256
Summer Intervention	5,388
Poverty Aid	51,148
Title VI-B	20,260
Title I	75,856
Reducing Class Size	12,274
Miscellaneous Federal Grants	61,464

The Other Grant fund, District Managed Student Activity fund and Poverty Aid fund, complied with Ohio state law, which does not permit a cash-basis deficit at year-end. The Summer Intervention fund, Title VI-B fund, Title I fund, Reducing Class Size fund and Miscellaneous Federal Grants fund did not comply with state law, which does not permit a cash-basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities. For GAAP purposes, the negative cash balance has been reported as a fund liability in the respective fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

- i.* Contrary to Ohio Revised Code 5705.10, the District had cash-basis deficits at June 30, 2006.
- ii.* The District passed permanent appropriations at the September 27, 2005 Board meeting. There was no evidence of the passage of temporary appropriations prior to the adoption of the permanent appropriations. In addition, the District passed permanent appropriations at the fund type level, which is in noncompliance with Ohio Revised Code Section 5705.38.
- iii.* The District did not submit a certificate of estimated resources by individual funds, nor were sufficient amended certificates submitted throughout the fiscal year and at year end, in noncompliance with Ohio Revised Code Section 5705.39 and 5705.36, respectively.
- iv.* The District did not properly certify 50% of expenditures during the fiscal year ended June 30, 2006, in noncompliance with Ohio Revised Code Section 5705.41(D).
- v.* The District had expenditures over appropriations in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.

NOTE 4 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 2% 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$(264,127). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero-balance" nature of the District's bank accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$109,888 of the District's bank balance of \$209,888 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 1,026,260	\$ 1,026,260

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 1,026,260	100%

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 footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (264,127)
Investments	<u>1,026,260</u>
Total	<u>\$ 762,133</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 742,147
Private purpose fund	76
Agency fund	<u>19,910</u>
Total	<u>\$ 762,133</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the fiscal year ended June 30, 2006 consisted of the following, as reported in the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	
General Fund	<u>\$ 62,045</u>

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

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

- B. Long-term interfund balances at June 30, 2006 consist of the following loans to and from other funds, as reported in the fund financial statements:

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

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

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

- C. Amounts due to/from other funds at June 30, 2006 consisted of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 90,992	\$ -
<u>Nonmajor Governmental Funds:</u>		
Summer Intervention	-	5,388
Title VI-B	-	8,452
Title I	-	46,774
Reducing Class Size	-	642
Miscellaneous Federal Grants	-	29,736
	<u> </u>	<u> </u>
Total	<u>\$ 90,992</u>	<u>\$ 90,992</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of due to/from other funds is to cover a negative cash balance in a respective fund. The general fund is liable for covering a cash deficit. Due to/from other funds are eliminated between governmental funds for reporting on the statement of net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$186,779 in the general fund and \$5,778 in the permanent improvement fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount available as an advance at June 30, 2005 was \$67,844 in the general fund and \$2,167 in the permanent improvement fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 67,580,470	85.67	\$ 79,600,860	88.77
Public utility personal	5,868,780	7.44	4,640,331	5.18
Tangible personal property	<u>5,437,390</u>	<u>6.89</u>	<u>5,429,060</u>	<u>6.05</u>
Total	<u>\$ 78,886,640</u>	<u>100.00</u>	<u>\$ 89,670,251</u>	<u>100.00</u>

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

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 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	\$ 3,155,134
Accounts	1,700
Intergovernmental	<u>112,123</u>
Total	<u>\$ 3,268,957</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, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

	Balance			Balance
	<u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/06</u>
<u>Governmental Activities</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 220,390	\$ -	\$ -	\$ 220,390
Total capital assets, not being depreciated	<u>220,390</u>	<u>-</u>	<u>-</u>	<u>220,390</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	417,148	5,111	-	422,259
Buildings and improvements	3,970,040	-	-	3,970,040
Furniture and equipment	280,511	22,800	-	303,311
Vehicles	655,034	-	-	655,034
Total capital assets, being depreciated	<u>5,322,733</u>	<u>27,911</u>	<u>-</u>	<u>5,350,644</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(350,558)	(5,297)	-	(355,855)
Buildings and improvements	(2,990,061)	(45,699)	-	(3,035,760)
Furniture and equipment	(251,616)	(8,290)	-	(259,906)
Vehicles	(440,033)	(47,592)	-	(487,625)
Total accumulated depreciation	<u>(4,032,268)</u>	<u>(106,878)</u>	<u>-</u>	<u>(4,139,146)</u>
Governmental activities capital assets, net	<u>\$ 1,510,855</u>	<u>\$ (78,967)</u>	<u>\$ -</u>	<u>\$ 1,431,888</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 28,172
Special	466
<u>Support Services:</u>	
Board of education	26,537
Administration	1,090
Pupil transportation	47,592
Extracurricular activities	54
Food service operations	<u>2,967</u>
Total depreciation expense	<u>\$ 106,878</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS

- A. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted as long-term obligations of the District. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund (a nonmajor governmental fund); however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues. During fiscal 2006, the District made principal and interest payments of \$25,000 and \$675, respectively. The notes were retired in full during fiscal year 2006.

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

- B. In a prior year, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for the construction of an administration building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenues of the District. Capital assets acquired by lease have been capitalized in the amount of \$708,000, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2006 was \$159,300, leaving a current book value of \$548,700. During fiscal 2006, the District paid \$11,000 in principal and \$39,871 in interest and fiscal charges on the lease-purchase agreement. Principal and interest payments are recorded as debt service expenditures in the debt service fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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
2007	\$ 11,000	\$ 39,219	\$ 50,219
2008	12,000	38,539	50,539
2009	13,000	37,800	50,800
2010	14,000	37,001	51,001
2011	14,000	36,171	50,171
2012 - 2016	85,000	166,797	251,797
2017 - 2021	115,000	137,433	252,433
2022 - 2026	152,000	98,092	250,092
2027 - 2031	158,000	41,679	199,679
2032	94,000	5,623	99,623
Total	<u>\$ 668,000</u>	<u>\$ 638,354</u>	<u>\$ 1,306,354</u>

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with National City Bank whereby the bank acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the District authorizes and directs National City Bank to make disbursements to pay the project costs from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. There was no balance in the escrow account at June 30, 2006.

- C. During fiscal year 2006, the following changes occurred in the governmental activities long-term obligations:

	Balance 06/30/2005	Additions	Reductions	Balance 06/30/2006	Amounts Due in One Year
Governmental Activities					
Energy conservation notes payable	\$ 25,000	\$ -	\$ (25,000)	\$ -	-
Obligation under lease-purchase agreement	679,000	-	(11,000)	668,000	11,000
Compensated absences payable	251,676	20,008	(30,376)	241,308	13,750
Total governmental activities long-term liabilities	<u>\$ 955,676</u>	<u>\$ 20,008</u>	<u>\$ (66,376)</u>	<u>\$ 909,308</u>	<u>\$ 24,750</u>

Compensated absences will be paid from the fund in which the employee is 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, 2006**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$8,070,323, an unvoted debt margin of \$89,670, and an Energy Conservation debt margin of \$807,032.

NOTE 10 - RISK MANAGEMENT

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 2005.

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

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 - PENSION PLANS - (Continued)

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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$125,810, \$130,001, \$114,647; 40.01 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$75,469 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 - PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2006, 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 recommendation 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 fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$381,913, \$400,580 and \$396,601; 80.47 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$74,583 represents the unpaid contributions for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$14,637 made by the District and \$13,940 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/ STRS Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$29,378 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$65,931 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158.751 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs of \$133.756 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 52,788
Net adjustment for revenue accruals	164,963
Net adjustment for expenditure accruals	(52,930)
Net adjustment for other sources/uses	(4,191)
Adjustment for encumbrances	<u>31,301</u>
GAAP basis	<u>\$ 191,931</u>

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$66 per year. A portion of the refund may be recovered from additional State entitlement payments.

The District is not a party to legal proceedings that would have a material effect 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. These reserves are calculated and presented on a cash basis.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 15 - STATUTORY RESERVES - (Continued)

During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2005	\$ (332,345)	\$ (1,159,750)	\$ 25,107
Current year set-aside requirement	105,547	105,547	-
Current year offsets	-	(94,590)	-
Qualifying disbursements	<u>(319,511)</u>	<u>(17,913)</u>	<u>-</u>
Total	<u>\$ (546,309)</u>	<u>\$ (1,166,706)</u>	<u>\$ 25,107</u>
Cash balance carried forward to FY 2007	<u>\$ (546,309)</u>	<u>\$ (1,159,750)</u>	<u>\$ 25,107</u>

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

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

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

In addition, the District received monies that are restricted by the State of Ohio for school bus purchases.

A schedule of the restricted assets at June 30, 2006 follows:

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

NOTE 16 - FISCAL WATCH

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

In October 2005, the Board adopted a resolution to request the Auditor of States office remove the District from this designation, as they have met all the required steps. As of June 30, 2006, the District has yet to receive a response from the Auditor of State.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 16 - FISCAL WATCH - (Continued)

On February 28, 2008, the District submitted a subsequent recovery plan that is currently under review by the Ohio Department of Education and Auditor of State's office.

NOTE 17 - SUBSEQUENT EVENT

Effective October 23, 2006, David Robinson became Treasurer.

SUPPLEMENTARY DATA

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
(B) Food Donation	10.550	N/A	\$ -	\$ 57,676	\$ -	\$ 57,676
Total Food Donation			<u>-</u>	<u>57,676</u>	<u>-</u>	<u>57,676</u>
Nutrition Cluster:						
(C) (D) School Breakfast Program	10.553	048686-05PU-2005	22,342		22,342	
(C) (D) School Breakfast Program	10.553	048686-05PU-2006	93,862		93,862	
Total School Breakfast Program			<u>116,204</u>		<u>116,204</u>	
(C) (D) National School Lunch Program	10.555	048686-LLP4-2005	35,050		35,050	
(C) (D) National School Lunch Program	10.555	048686-LLP4-2006	165,666		165,666	
(C) (D) Summer Food Service Program for Childrer	10.559	048686-23PU-2005	10,939		10,939	
(C) (D) Summer Food Service Program for Childrer	10.559	048686-24PU-2005	2,150		2,150	
Total National School Lunch Program			<u>213,805</u>		<u>213,805</u>	
Total Nutrition Cluster			<u>330,009</u>			
Total U.S. Department of Agriculture			<u>330,009</u>	<u>57,676</u>	<u>330,009</u>	<u>57,676</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	048686-C1S1-2005	44,346		78,269	
Title I Grants to Local Educational Agencies	84.010	048686-C1S1-2006	213,873		271,134	
Title I Grants to Local Educational Agencies	84.010	048686-C1SD-2005	7,232		6,869	
Title I Grants to Local Educational Agencies	84.010	048686-C1SD-2006	23,327		22,731	
Title I Grants to Local Educational Agencies	84.010	048686-C1SK-2005	5,000		37,243	
Total Title I Grants to Local Educational Agencies			<u>293,778</u>		<u>416,246</u>	
Special Education Cluster:						
(E) Special Education_Grants to States	84.027	048686-6BSF-2005	1,392		6,748	
(E) Special Education_Grants to States	84.027	048686-6BSF-2006	123,581		133,818	
Total Special Education _Grants to States			<u>124,973</u>		<u>140,566</u>	
(E) Special Education_Preschool Grants	84.173	048686-PGS1-2005	2,349		2,908	
(E) Special Education_Preschool Grants	84.173	048686-PGS1-2006	183		-	
Total Special Education_Preschool Grants			<u>2,532</u>		<u>2,908</u>	
Total Special Education Cluster			<u>127,505</u>		<u>143,474</u>	
Safe and Drug-Free Schools and Communities_State Grants	84.186	048686-DRS1-2005	5,658		3,030	
Safe and Drug-Free Schools and Communities_State Grants	84.186	048686-DRS1-2006	5,791		5,046	
Total Safe and Drug-Free Schools and Communities_State Grants			<u>11,449</u>		<u>8,076</u>	
State Grants for Innovative Program:	84.298	048686-C2S1-2005	736		736	
State Grants for Innovative Program:	84.298	048686-C2S1-2006	3,564		3,247	
Total State Grants for Innovative Programs			<u>4,300</u>		<u>3,983</u>	
Education Technology State Grants	84.318	048686-TJS1-2005	707		-	
Education Technology State Grants	84.318	048686-TJS1-2006	7,157		-	
Total Education Technology State Grants			<u>7,864</u>		<u>-</u>	
Advanced Placement Program	84.330	AVTF-2004	884		-	
Total English Language Acquisition Grants			<u>884</u>		<u>-</u>	
Reading First State Grants	84.357	048686-RSS1-2005	118,859		64,898	
Reading First State Grants	84.357	048686-RSS1-2006	252,469		291,206	
Total Comprehensive School Reform Demonstration			<u>371,328</u>		<u>356,104</u>	
Improving Teacher Quality State Grants	84.367	048686-TRS1-2005	46,841		46,598	
Improving Teacher Quality State Grants	84.367	048686-TRS1-2006	66,023		66,665	
Total Improving Teacher Quality State Grants			<u>112,864</u>		<u>113,263</u>	
Total U.S. Department of Education			<u>929,972</u>		<u>1,041,146</u>	
Total Federal Financial Assistance			<u>\$ 1,259,981</u>	<u>\$ 57,676</u>	<u>\$ 1,371,155</u>	<u>\$ 57,676</u>

(A) This schedule was prepared on the cash basis of accounting.

(B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.

(C) Included as part of "Nutrition Grant Cluster" in determining major programs

(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

(E) Included as part of "Special Education Grant Cluster" in determining major programs.



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

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Jefferson Township Local School District, Montgomery County, Ohio, as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated January 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson Township Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect Jefferson Township Local School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items: 2006-JTLSLSD-001 through 2006-JTLSLSD-006.

Board of Education
Jefferson Township Local School District

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2006-JTLSD-001 through 2006-JTLSD-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the Jefferson Township Local School District in a separate letter dated January 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jefferson Township Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-JTLSD-007 through 2006-JTLSD-013. We noted certain matters that we reported to the management of the Jefferson Township Local School District in a separate letter dated January 28, 2008.

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

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



Julian & Grube, Inc.

January 28, 2008, except for Note 16 which is dated February 28, 2008



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Report on Compliance With Requirements Applicable to Its
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, OH 45418

Compliance

We have audited the compliance of Jefferson Township Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2006. Jefferson Township Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jefferson Township Local School District's management. Our responsibility is to express an opinion on Jefferson Township Local School District's compliance based on our audit.

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

Board of Education
Jefferson Township Local School District

In our opinion, Jefferson Township Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

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

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

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



Julian & Grube, Inc.

January 28, 2008, except for Note 16 which is dated February 28, 2008

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2006-JTLS-001

Reportable Condition/Material Weakness

The District did not have reconciled bank statements at June 30, 2006 to the books until January 2008. The District completed and provided reconciled bank statements from January 2006, through August 2006, with all amounts identifiable except for \$8,707.

Unreconciled bank accounts are a serious control failure in the District's internal control system.

All bank accounts need to be reconciled to the books each month on a timely basis in order to identify any discrepancies in District postings and/or bank postings.

We recommend the District continue reconciling from August 2006, through current, its monthly bank statements. We recommend these bank reconciliations and identified reconciled differences be presented to the Board and corrected in the District's system. Once current with reconciliations, we recommend the District continue to identify the unidentified difference of \$8,707.

Client response: The District has contracted with an outside firm to aid in reconciling August 2006 through current and to consult with the District as necessary to maintain monthly reconciliations.

Finding Number	2006-JTLS-002
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Reportable Condition/Material Weakness

The District's fiscal 2006 audit report completion was delayed due to numerous factors. Such factors include, but are not limited to, the following:

- (1) Lack of a monthly reconciliation and supporting documentation.
- (2) Unorganized records, lack of easily obtainable supporting documentation.
- (3) Change in fiscal department staff.

Lack of important fiscal financial reporting controls inhibits the timeliness of financial audit reports, which inhibit public information availability.

We recommend the District develop policies and procedures to help ensure proper record retention and timeliness of audit completion and financial reporting.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-JTLSLSD-002 - (continued)

Client Response: The District has had numerous Treasurers over the past few years. Currently, the District Treasurer has been employed by the District since October 23, 2006.

Finding Number	2006-JTLSLSD-003
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Reportable Condition/Material Weakness

The Fiscal Office did not record receipts in a timely manner or in an easily traceable format. Several instances were noted where receipts were not posted for up to two months. We also noted a few instances where receipts were recorded prior to the actual receipt, and supporting documentation was difficult to obtain.

District receipts should be posted to the accounting system when received. The amounts posted to the accounting system should reconcile to the amounts deposited.

The lack of timely and accurate posting of receipts leads to inaccurate financial information and in some cases significantly understated and overstated the District fund balances. Untimely and inaccurate posting also makes it difficult to reconcile amounts posted with amounts deposited.

We recommend the Fiscal Department record receipts in a timely manner after they are received. We also recommend the Fiscal Department reconcile receipt postings when making deposits. Amounts posted should correspond directly with amounts deposited.

Client Response: The District's management will take a more active role in requiring the above documentation to be presented in a timely manner.

Finding Number	2006-JTLSLSD-004
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Reportable Condition/Material Weakness

The Fiscal Department recorded property tax proceeds at net and did not record related deductions as expenditures.

All transactions should be recorded at the gross amount to accurately reflect receipts and expenditures.

The lack of posting transactions at gross can understate receipts and disbursements.

The financial statements have been adjusted to reflect gross receipts and related disbursements.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-JTSLD-004 - (continued)

We recommend that the Fiscal Department record all future transactions at gross when applicable. We further recommend the Treasurer communicate and provide the Fiscal Department with the information required to properly record and budget for on behalf of payments. This will ensure a more accurate reporting of District activities during the year being audited.

Client Response: The District Treasurer will communicate with the Fiscal Department and utilize the resources available (Agency internet websites) to ensure all payments on behalf are properly recorded and will present amounts to the Board for proper approval.

Finding Number	2006-JTSLD-005
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Reportable Condition/Material Weakness

Based upon the results of observations made during our audit, we noted the District has a serious lack of control and direction regarding the accounting system and overall fiscal management.

In general, an accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made.

The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We strongly suggest that the District seriously consider creating an accounting and information system that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the District in the future.

Client Response: The Board will attempt to require financial data to be submitted for approval and review in a timely manner.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-JTLS-006

Reportable Condition/Material Weakness

Record Storage and Retrieval

The accounting records frequently could not be located when needed. The causes of the problem were numerous:

- Lack of a clearly specified system for filing records
- Failure of those who removed records from the files to indicate who took the record
- Failure to return the record to the files or misfiling it when it was returned
- Lack of specific policies for removing prior year records from the files to a designated storage space

The result was that employees spent nonproductive time searching for needed documents. The condition could also present problems when auditors or government agencies need documentation. We recommend the following steps be taken:

- Decide on a systematic manner of filing documents, e.g., monthly folders consisting of vendor bills filed in numeric order, receipts filed in numeric order, all approved bank statements and reconciliations with all attached supporting documentation, etc.
- Describe the system in the accounting manual or post a description on the filing cabinets or storage room so employees will know how to find and refile documents
- Institute use of sign-out cards to be filled out when a document is removed from a file, showing who took the record.
- Establish a policy specifying which records should be retained permanently, which records should be kept only for a given period before being destroyed, and how long the period of time should be for the various documents' termination.
- Decide when unneeded records should be removed to other storage areas to create room for needed records.
- Assign personnel the responsibility of periodically cleaning out the files in accordance with the established policy.

Implementation and communication of the above will enable the District to operate more effectively and efficiently.

Client Response: The current Treasurer has put in place record storage and retrieval internal controls.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-JTLSLSD-007

Ohio Revised Code Section 5705.38 outlines the requirements for the annual appropriation measure.

The District passed permanent appropriations at the September 27, 2005 Board meeting. There was no evidence of the passage of temporary appropriations prior to the adoption of the permanent appropriations. In addition, the lowest legal level of appropriations for a school district is the fund level. The District passed permanent appropriations at the fund type level which is higher than the legal level allowed. For purposes of budgetary compliance, fund type appropriations were allocated to specific funds based upon actual expenditures for the fiscal year end.

With appropriations passed at a higher level than legally allowable, the District is potentially hindering their monitoring ability of proposed expenditures. A more detailed level (fund) is required by the Ohio Revised Code to help facilitate proper accountability.

We recommend the District appropriate at the legal level allowed by the Ohio Revised Code and evidence such level and detail in the approved minutes. In addition, we recommend if permanent appropriation approval will be delayed until after the start of the fiscal year, then temporary appropriations should be evidenced in the minutes.

Client Response: The Board will adopt permanent appropriations at the fund level and evidence temporary appropriations, if necessary.

Finding Number	2006-JTLSLSD-008
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the District Treasurer that revenue to be collected will be greater or less than the amount in the last certified amended certificate.

It was noted during the year that the District did not request timely amended certificates throughout the year upon notice of increased or decreased resources.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources, throughout the year and at fiscal year end.

We recommend that the District review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District is attempting to monitor fiscal budget more closely and to submit additional amendments for estimated resources more frequently throughout the fiscal year and at fiscal year end.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-JTLSLSD-009

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

The District did not provide a Certificate of Estimated Resources with a breakdown of individual funds, just by fund totals. The citations listed below are by fund totals.

Total appropriations exceeded total estimated resources at June 30, 2006 in the following funds:

<u>Major Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
General	\$ 8,457,938	\$ 7,866,142	\$ 591,796
<u>Nonmajor Funds</u>			
Debt Service	135,900	56,773	79,127

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

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

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

Finding Number	2006-JTLSLSD-010
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit for the fiscal year ended June 30, 2006 that 50% of expenditures tested were not certified in a timely manner.

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

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-JTLSLSD-010 - (continued)

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

Client Response: The Treasurer is working to certify expenditures more timely.

Finding Number	2006-JTLSLSD-011
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit, that the District maintained negative cash fund balances throughout and at year end. The negative cash fund balances at June 30, 2006 are in the following funds:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Summer Intervention	\$ 5,388
Title VI-B	8,452
Title I	46,774
Reducing Class Size	642
Miscellaneous Federal Grants	29,736

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

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

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

Client Response: The Treasurer is working to request grant funds more timely and will advance from the General fund when necessary.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-JTLS-012

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

The District had expenditures in excess of appropriations for July, August and September of 2005.

The District is expending monies that have not been approved by the Board. This could result in unnecessary purchases or fund deficits.

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

Client Response: The current Treasurer was not the Treasurer at the time appropriations were to be adopted. For fiscal 2008, appropriations were adopted timely.

Finding Number	2006-JTLS-013
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

It was noted during the audit that expenditures exceeded appropriations in certain funds during the fiscal year due to the District not timely or properly approving permanent appropriations and not modifying appropriations until the end of the fiscal year.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

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

Client Response: The District Treasurer is attempting to modify its appropriations more timely throughout the year end at fiscal year end.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

3. FINDINGS FOR FEDERAL AWARDS

None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-JTLSD-001	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer.	No	Repeated as 2006-JTLSD-010
2005-JTLSD-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Repeated as 2006-JTLSD-012
2005-JTLSD-003	Ohio Revised Code Section 5705.39 requires a subdivision's total appropriations from each fund should not exceed the total estimated resources.	No	Repeated as 2006-JTLSD-009
2005-JTLSD-004	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.	No	Repeated as 2006-JTLSD-011
2005-JTLSD-005	31 U.S.C. 7502 (a),1)(A) requires non-federal entities that expend \$500,000 or more in a year in federal awards to have a single audit conducted.	Yes	N/A



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 3, 2008