Mary Taylor, CPA
Auditor of State

Jefferson Township Local School District
Montgomery County, Ohio

Financial Forecast
For the Fiscal Year Ending June 30, 2009

Local Government Services Section

Jefferson Township Local School District
Montgomery County

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the General Fund of the Jefferson Township Local School District, Montgomery County, Ohio and issued a report dated August 15, 2008. This forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit of $1,589,000 for the fiscal year ending June 30, 2009.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2010 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2009.

MARY TAYLOR, CPA
Auditor of State

Peter R. Sorem

Peter R. Sorem
Chief of Local Government Services

September 3, 2009

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Mary Taylor, CPA
Auditor of State

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the general fund of the Jefferson Township Local School District (the School District) for the fiscal year ending June 30, 2009. The School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying financial forecast has been prepared assuming the School District will continue as a going concern. The School District is experiencing recurring general fund operating deficits and will need to borrow against future revenues to finance fiscal year 2009 operations. In addition, the School District defaulted on $500,000 tax anticipation notes in fiscal year 2008. The financial forecast includes repayment of the tax anticipation notes; however, it does not include any other adjustments that might result from the outcome of this uncertainty.

We have compiled the historical financial statements of the School District for the fiscal years ended June 30, 2006, 2007, and June 30, 2008, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

August 15, 2008

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Jefferson Township Local School District

Statement of Revenues, Expenditures and Changes in Fund Balance
For The Fiscal Years Ended June 30, 2006, 2007 and 2008 Actual;
Fiscal Year Ending June 30, 2009 Forecasted
General Fund

	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Forecasted
Revenues				
General Property Tax	$2,517,000	$2,495,000	$2,405,000	$2,533,000
Tangible Personal Property Tax	494,000	526,000	236,000	224,000
Unrestricted Grants-in-Aid	3,300,000	3,367,000	3,155,000	3,201,000
Restricted Grants-in-Aid	414,000	521,000	638,000	597,000
Property Tax Allocation	415,000	507,000	627,000	636,000
All Other Revenues	808,000	923,000	776,000	736,000
Total Revenues	7,948,000	8,339,000	7,837,000	7,927,000
Other Financing Sources				
Proceeds from Sale of Notes	0	0	500,000	0
Transfers In	2,000	0	0	0
Total Other Financing Sources	2,000	0	500,000	0
Total Revenues and Other Financing Sources	7,950,000	8,339,000	8,337,000	7,927,000
Expenditures				
Personal Services	3,431,000	3,605,000	3,579,000	3,007,000
Employees' Retirement/Insurance Benefits	941,000	1,262,000	1,177,000	1,025,000
Purchased Services	2,510,000	2,214,000	2,780,000	3,092,000
Supplies and Materials	346,000	348,000	252,000	399,000
Capital Outlay	28,000	51,000	19,000	10,000
Debt Service:				
Principal - Other	11,000	11,000	0	500,000
Interest and Fiscal Charges	26,000	39,000	0	14,000
Other Objects	563,000	889,000	1,040,000	1,154,000
Total Expenditures	7,856,000	8,419,000	8,847,000	9,201,000
Other Financing Uses				
Operating Transfers Out	19,000	5,000	3,000	0
Total Expenditures and Other Financing Uses	7,875,000	8,424,000	8,850,000	9,201,000
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	75,000	(85,000)	(513,000)	(1,274,000)
Unrecorded Transactions/Adjustments	(164,000)	(46,000)	(1,000)	0
Cash Balance (Deficit) July 1	492,000	403,000	272,000	(242,000)
Cash Balance (Deficit) June 30	403,000	272,000	(242,000)	(1,516,000)
Less Encumbrances and Reserves:				
Encumbrances at June 30	43,000	93,000	4,000	68,000
Budget Reserve	25,000	25,000	0	0
Capital and Maintenance	0	0	5,000	5,000
DPIA/Povery Based Assistance	13,000	0	0	0
Bus Purchase	7,000	7,000	0	0
Total Encumbrances and Reservations of Fund Balance	88,000	125,000	9,000	73,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	$315,000	$147,000	($251,000)	($1,589,000)

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

Note 1 – The School District

The Jefferson Township Local School District (School District) is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District provides educational services as authorized by State and local guidelines. The School District currently operates 3 instructional/support facilities staffed by 49 certificated employees and 48 non-certificated employees who provide services to 736 students.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Jefferson Township Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of August 15, 2008, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

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

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

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

B. - Fund Accounting

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for any activity for which a fee is changed to external users for good and services.

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

Fiduciary Funds

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

C. - Budgetary Process

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

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

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

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

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

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2008 (the collection year) for real and public utility property taxes represents collections of calendar year 2007 taxes (the tax year). Property tax payments received during calendar year 2008 for tangible personal property (other than public utility property) are for calendar year 2008 taxes. First half calendar year tax collections and distributions are received by the School District in the second half of the fiscal year. Second half calendar year tax collections and distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account “Property Tax Allocation”. Beginning in collection year 2006, the State eliminated the ten percent rollback on commercial and industrial property. This change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against the 2010 fiscal year’s scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances in fiscal year 2009.

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

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per $1,000 of assesed valuation)
Inside Ten Mill Limitation	n/a	n/a	$6.60
Continuing Operating	Prior to 1976	n/a	25.80
Continuing Operating	1981	n/a	7.00
Current Operating (Renewal)	2004	2009	9.50
Current Operating (Renewal)	2007	2012	5.50
Current Operating (Renewal)	2003	2008	5.50
Total Tax Rate			$59.90

The School District has a permanent improvement levy in the amount of $2.00 per $1,000 of assessed valuation. The School Districts total tax rate is $61.90 per $1,000 of valuation. The current operating levy approved in 2003 was renewed in March, 2008 for five years. Collections based on the new levy began in 2009.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property taxes on carry over property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set amount of revenue annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage below 20 mills. The effective residential and agricultural real property tax rate is $31.15 per $1,000 of assessed valuation and the effective commercial and industrial real property tax rate is $43.92 per $1,000 of assessed valuation for collection year 2008.

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

General Property Tax - The general property tax revenue account appearing on the forecast statement includes real estate taxes, public utility property taxes, and manufactured home taxes. The general property tax revenue estimate is based upon information provided by the Montgomery County Auditor's office. The School District anticipates an increase of $128,000 in fiscal year 2009. The increase in general property taxes is primarily due to a reappraisal of property values being completed by Montgomery County in 2008 with collections beginning in 2009.

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

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

Tangible personal property tax revenues include the October 2008 and June 2009 personal property tax settlement. The $12,000 decrease in tangible personal property tax revenues for the forecast period compared to the prior fiscal year is due to the phase out of taxable personal property tax.

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid consists of State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, excess cost supplement, and charge-off supplement, which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) times a per pupil foundation level less the equivalent of 23 mills times the school district's taxable property valuation. In prior years, the per pupil foundation amount was increased by a regional cost of doing business factor. The cost of doing business factor was phased out by one-third each year beginning in fiscal year 2006. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2005. The per pupil amount for fiscal years 2008 and 2009 was increased by three percent. Beginning in fiscal year 2008, the per pupil amount is increased by four base-supplements called "building blocks". The building blocks are funding for intervention, professional development, data base decision making and professional development for database decision. The per pupil amount for fiscal years 2006 to 2009 is as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2006	$5,283	$0	$5,283
2007	5,403	0	5,403
2008	5,565	49	5,614
2009	5,732	51	5,783

The anticipated unrestricted grants-in-aid for fiscal year 2009 is based on current estimates provided by the Ohio Department of Education and adjustments for a decrease in ADM of 24. The actual and estimated unrestricted grants-in-aid for the last three fiscal years and fiscal year 2009 are summarized as follows:

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecast Fiscal Year 2009	Variance Increase (Decrease)
Formula Aid	$2,261,000	$2,152,000	$1,905,000	$1,824,000	($81,000)
Categorical Funding	364,000	361,000	431,000	472,000	41,000
Transportation	288,000	280,000	282,000	290,000	8,000
Excess Cost	187,000	186,000	202,000	203,000	1,000
Parity Aid	272,000	242,000	216,000	246,000	30,000
Reappraisal Guarantee	0	96,000	0	0	0
Transitional Aid Guarantee	0	0	167,000	166,000	(1,000)
Foundation Adjustments	(72,000)	50,000	(48,000)	0	48,000
Totals	$3,300,000	$3,367,000	$3,155,000	$3,201,000	$46,000

Formula Aid is anticipated to decrease due to a decrease in formula ADM of 24. The decrease is based on a continuing decline in the number students within the School District. Formula Aid is adjusted twice a year based on student counts taken and reported to the Ohio Department of Education in October and February each fiscal year.

Categorical Funding is anticipated to increase due to an increase in the number of special education students and an increase in per pupil funding amount.

The excess cost supplement aid establishes a 3.3-mill limit on a school district's share of combined funding for special education, vocational education and transportation. If the assumed local share of special and vocational weighted aid plus the assumed local share of transportation exceeds 3.3 mills times a school district's recognized valuation, the State pays the difference in excess cost supplement aid.

The parity aid funding program is given to school districts that fall below the "per pupil wealth threshold" or below the 80th percentile school district on the wealth measure as ranked by the Ohio Department of Education.

The transitional aid funding program guarantees 100 percent of the previous year's state aid. This is intended to ease the impact of formula changes made throughout the year in regards to state aid.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance monies which are expected to decrease $41,000 from fiscal year 2008. The anticipated revenue for fiscal year 2009 is based on estimates obtained from the Ohio Department of Education. For fiscal year 2009, the School District anticipates $7,000 in bus purchase allowance monies and $22,000 in career tech monies. In addition, the School District anticipates $568,000 in Poverty Based Assistance monies. The decrease in fiscal year 2009 is due to a one-time special education catastrophic aid reimbursement that was received during fiscal year 2008.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

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

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes were enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as utility deregulation payments. For fiscal year 2009, the School District anticipates $45,000 in public utility tax loss reimbursements based on information provided by the Ohio Department of Taxation.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under HB 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in HB 66 are implemented. In fiscal year 2009, the School District expects to receive $278,000 in tangible personal property tax loss reimbursement.

Property tax allocation revenue, based on information provided by both the Montgomery County Auditor and the Ohio Department of Taxation, is anticipated to be $636,000, an increase of $9,000 in fiscal year 2009.

Property tax allocation revenues consist of the following:

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecast Fiscal Year 2009	Variance Increase
Homestead and Rollback and $10,000 Personal Property Exemption	$373,000	$344,000	$409,000	$313,000	($96,000)
Utility Deregulation	27,000	51,000	44,000	45,000	1,000
Tangible Personal Property Loss Reimbursement	15,000	112,000	174,000	278,000	104,000
Totals	$415,000	$507,000	$627,000	$636,000	$9,000

E. - All Other Revenues

Presented below is a comparison of all other revenue for the last three fiscal years and the forecast period:

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecasted Fiscal Year 2009	Variance Increase (Decrease)
Interest	$51,000	$33,000	$31,000	$15,000	($16,000)
Tuition	209,000	137,000	290,000	290,000	0
Rentals	24,000	21,000	3,000	3,000	0
Open Enrollment	479,000	565,000	387,000	395,000	8,000
Miscellaneous	45,000	167,000	65,000	33,000	(32,000)
Totals	$808,000	$923,000	$776,000	$736,000	($40,000)

The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being recorded in the general fund. The decrease of cash available to invest is the primary reason for the anticipated decrease in interest revenue for fiscal year 2009.

Open enrollment revenue is expected to increase slightly for fiscal year 2009 due to an increase in the per pupil formula level.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay and payment in lieu of benefits. All employees receive their compensation on a bi-weekly basis. The certified staff, including administrative staff and classified staff levels are expected to decrease during fiscal year 2009.

Certified (teaching) and classified staff salaries are based on the salary schedules contained in negotiated contracts. The contracts, which expired June 30, 2008, covered the last three fiscal years. The contracts, including the salary schedules, remain in effect until a new contract is reach between the Board of Education and the bargaining units. The forecasted salaries include step increases but, no base salary increases. In the past three fiscal years, salary increases were limited to step increases that ranged from 2.7 percent to 4.3 percent, depending on years of service. The forecasted salaries include the same step increases. Administrative staff salaries are set by the Board of Education.

The School District offers severance pay to its retiring employees of one-fourth of their accumulated sick leave to a maximum accumulation of 59 days paid, depending on years of service. Severance payments are expected to be $15,000 in fiscal year 2009.

Salaries for fiscal year 2009 are forecasted to decrease from fiscal year 2008 by $572,000 due to the elimination of eleven certified and six classified positions.

Presented below is a comparison of salaries and wages for the last three fiscal years and the forecast period.

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecast Fiscal Year 2009	Variance Increase (Decrease)
Certified Salaries	$2,253,000	$2,428,000	$2,353,000	$1,929,000	($424,000)
Classified Salaries	856,000	815,000	940,000	788,000	(152,000)
Substitute Salaries	189,000	218,000	147,000	185,000	38,000
Supplemental Contracts	80,000	77,000	73,000	42,000	(31,000)
Severance Pay	10,000	18,000	15,000	15,000	0
Other Salaries and Wages	43,000	49,000	51,000	48,000	(3,000)
Totals	$3,431,000	$3,605,000	$3,579,000	$3,007,000	($572,000)

B. - Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent of the salaries for STRS and SERS members. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. The decrease in employer retirement contributions is due to the decrease in salaries that are forecast for fiscal year 2009 and the adjustment for the estimates from the prior calendar year.

Medicare benefits are based on the employers' rate of 1.45 percent of the payroll costs for contributing staff.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. Beginning in May 2007, the School District chose to pay the 45 percent of the premium in May and 55 percent of the premium in September, rather than the entire amount in May as in fiscal years 2006 and 2007. Workers Compensation premiums to be paid in fiscal year 2009 total $91,000.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The School District participates in a traditional health plan. The School District pays 80 percent of the premiums and employees pay the remaining 20 percent. The School District will experience a decrease in health insurance costs due to a decrease in staffing levels in fiscal year 2009. The School District also pays 80 percent of the premiums for dental insurance and 100 percent of the premiums for life insurance. No significant rate increases are expected for health care costs.

Presented below is a comparison for the last three fiscal years and the forecast period:

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecasted Fiscal Year 2009	Variance Increase (Decrease)
STRS Retirement	$288,000	$442,000	$429,000	$363,000	($66,000)
SERS Retirement	155,000	167,000	162,000	174,000	12,000
Medicare	40,000	45,000	46,000	43,000	(3,000)
Workers' Compensation	90,000	125,000	68,000	91,000	23,000
Health Insurance	329,000	416,000	440,000	320,000	(120,000)
Other Employee Insurances	39,000	67,000	32,000	34,000	2,000
Totals	$941,000	$1,262,000	$1,177,000	$1,025,000	($152,000)

C. - Purchased Services

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

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecasted Fiscal Year 2009	Variance Increase (Decrease)
Professional and Technical Services	$157,000	$230,000	$186,000	$471,000	$285,000
Property Services	437,000	179,000	153,000	204,000	51,000
Travel and Meeting Expenses	15,000	11,000	15,000	14,000	(1,000)
Communication Costs	15,000	(2,000)	22,000	29,000	7,000
Utility Services	74,000	194,000	285,000	367,000	82,000
Trade Services	0	0	1,000	2,000	1,000
Tuition Payments	1,707,000	1,501,000	2,072,000	1,959,000	(113,000)
Pupil Transportation	102,000	97,000	39,000	41,000	2,000
Other Purchased Services	3,000	4,000	7,000	5,000	(2,000)
Totals	$2,510,000	$2,214,000	$2,780,000	$3,092,000	$312,000

The increase in professional and technical services is due primarily to a contract for an interim treasurer of $178,000 and $53,000 in bills that were held and unpaid at the end of the fiscal year 2008. Tuition payments in fiscal year 2008 had additional payments of $274,000 to the Montgomery County Educational Service Center for excess cost for fiscal year 2007.

D. - Supplies and Materials

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

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecasted Fiscal Year 2009	Variance Increase (Decrease)
General Supplies	$140,000	$113,000	$77,000	$100,000	$23,000
Textbooks, Library Books and Periodicals	40,000	57,000	14,000	16,000	2,000
Supplies and Materials for Operation Maintenance, and Repair	166,000	178,000	161,000	283,000	122,000
Totals	$346,000	$348,000	$252,000	$399,000	$147,000

The increase in supplies and materials for operation, maintenance, and repair is due to an anticipated increase for fuel for the buses and $54,000 in bills that were held and unpaid at the end of fiscal year 2008.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment used for general governmental services is recorded as an expenditure. Capital Outlay is only anticipated to be $10,000 for fiscal year 2009 due to the financial condition of the School District.

F. - Debt Service

General fund supported debt consists of tax anticipation notes issued in fiscal year 2008 and an Administration Building lease purchase agreement. The notes were due on June 26, 2008; however, the School District defaulted on the notes. The notes were paid off with tax revenue in July, 2008. The lease purchase agreement had been paid from the general fund in fiscal years 2006 and 2007. In fiscal year 2008, the School District opted to pay the lease payments out of the permanent improvement fund and plans to do the same in fiscal year 2009.

G. - Other Objects

Other objects include dues, fees, liability insurance, and county educational service center fees. For fiscal year 2008, the School District is forecasting an increase of $114,000 in other objects. The foundation deductions related to the Montgomery County Educational Service Center are forecasted to increase $79,000. Also, the School District had $22,000 in bills that were held and unpaid at the end of fiscal year 2008.

H. - Other Financing Uses

The School District does not expect to make any transfers from the general fund to any other fund since the general fund has a negative fund balance.

Note 8 - Unrecorded Transactions/Adjustments

The School District contracted with an independent public accounting firm to perform monthly reconciliations of the accounting records to the bank balances for fiscal years 2006 through 2008. The reconciling items noted at the end of each fiscal year have not been posted to the School District's accounting system, but the unrecorded transactions and adjustments were made to the audited financial statements for the same periods. The amounts presented on the forecast represent the net effect of the unrecorded transactions and adjustments for each fiscal year as reported on the audited financial statements.

Note 9 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Historically, the School District has had encumbrances at the end of a fiscal year. The School District had a large amount of payables that were not encumbered at the end of fiscal year 2008. The payables have been included in the forecasted expenditures for fiscal year 2009. The amount forecasted for fiscal year 2009 is an average of fiscal year 2006 and 2007.

Note 10 - Reservations of Fund Balance

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

Beginning in fiscal year 2006, HB 66 allows school districts in fiscal emergency to set aside less than the annual required set aside amount or set aside nothing in the textbook and instruction materials and the capital and maintenance set asides. The Board of Education does not anticipate setting to set aside any current year revenue in the capital and maintenance set aside for the current fiscal year. The Board of Education has not yet passed the resolution approving this action.

A. - Textbooks and Instructional Materials Set-Aside

The set-aside amount for fiscal year 2009 is $92,000. There were excess qualifying expenditures from fiscal year 2008 of $436,000. The School District anticipates $58,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve is forecasted for textbooks and instructional materials.

B. - Capital Acquisition and Improvements Set-Aside

The set-aside amount for fiscal year 2008 is $92,000. There was a carryover balance of $5,000 from fiscal year 2008. The School District is electing to waive the set aside requirement for FY 2009, due to the School District being in fiscal emergency. Therefore, a carry forward reserve for capital acquisition and improvements of $5,000 is anticipated.

C. – Poverty Based Assistance

The School District anticipates receiving $568,000 in restricted Poverty Based Assistance monies during fiscal year 2009. All Poverty Based Assistance monies received in fiscal year 2008 were expended in fiscal year 2008 and all Poverty Based Assistance monies to be received in fiscal year 2009 are planned to be fully expended during the current fiscal year. Therefore, no reserve for Poverty Based Assistance is forecasted.

D. – Bus Purchases

The School District anticipates the receipt of $7,000 in a bus purchase allowance during fiscal year 2009. The School District entered into a bus purchase lease agreement in fiscal year 2008. The bus purchase lease is over three years with an annual payment of $24,000. Therefore, no reserve is forecasted for future bus purchases.

Note 11 - Levies

In the past ten years, the School District has placed several levies on the ballot. In fiscal year 2009, the School District plans to place a 5 mill current operating expense levy on the November ballot. The type of levy, rate, term, and election results of past levy attempts are as follows:

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

Note 12 - Pending Litigation

The School District is currently party to legal proceedings. The School District management is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 13 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. The financial plan for the fiscal years 2008 through 2012 was filed on May 30, 2008. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The financial plan assumes the continued operation of the School District and a decline in total revenues and an accumulated general fund deficit of $3,164,000 for fiscal year ending June 30, 2012. Management has not developed a plan to eliminate the deficits.

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

Note 14 – Financial Planning and Supervision Commission

On August 11, 2008, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Montgomery County Auditor. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan. State law requires the plan to be adopted within 120 day of the declaration of fiscal emergency and to be updated annually.

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
SEPTEMBER 3, 2008

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