

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004***





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Jefferson Township Local School District, Montgomery County, prepared by Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

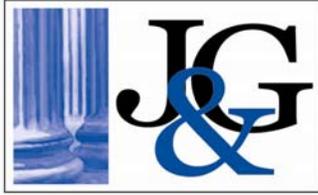
June 7, 2006

**This Page is Intentionally Left Blank.**

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

TABLE OF CONTENTS

Independent Auditors' Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund .....	19
Statement of Fiduciary Net Assets - Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	21
Notes to the Basic Financial Statements.....	22 - 47
Supplemental Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	48
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 <i>Government Auditing Standards</i> .....	49 - 50
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	51 - 52
Schedule of Findings <i>OMB Circular A-133 §.505</i> .....	53 - 57
Status of Prior Audit Findings <i>OMB Circular A-133 § .505</i> .....	58



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Jefferson Township Local School District, (the "District") as of and for the fiscal year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of Jefferson Township Local School District, Montgomery County, as of June 30, 2004, and the respective changes in financial position, thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3A to the financial statements, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". In addition, as disclosed in Note 8, the District had a prior period adjustment for capital assets for implementing a new threshold and prior year errors and omissions.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Township Local School District's basic financial statements. 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.  
February 8, 2006, except for Note 16 which is dated March 30, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The managements' 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, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$735,022 which represents a 70.96% increase from 2003.
- General revenues accounted for \$7,251,630 in revenue or 74.32% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,505,212 or 25.68% of total revenues of \$9,756,842.
- The District had \$9,021,820 in expenses related to governmental activities; \$2,505,212 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,251,630 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,466,388 in revenues and other financing sources and \$6,983,494 in expenditures and other financing uses. During fiscal year 2004, the general fund's deficit fund balance decreased \$482,894 from \$559,595 to \$76,701.

**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, 2004  
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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and 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.

***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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 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. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

	<b>Net Assets</b>
	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 4,529,954
Capital assets	<u>1,562,128</u>
Total assets	<u>6,092,082</u>
<b><u>Liabilities</u></b>	
Current liabilities	3,301,045
Long-term liabilities	<u>1,020,255</u>
Total liabilities	<u>4,321,300</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	823,128
Restricted	450,187
Unrestricted	<u>497,467</u>
Total net assets	<u>\$ 1,770,782</u>

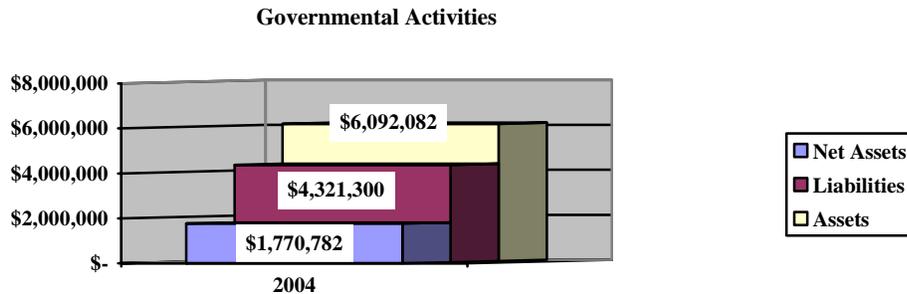
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$1,770,782. Of this total, \$497,467 is unrestricted in use.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

At year-end, capital assets represented 25.64% 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, 2004, were \$823,128. 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, \$450,187, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$497,467 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2004
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 836,003
Operating grants and contributions	1,315,818
Capital grants and contributions	353,391
General revenues:	
Property taxes	3,311,739
Grants and entitlements	3,889,830
Investment earnings	7,324
Other	<u>42,737</u>
 Total revenues	 <u>9,756,842</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 2,420,936
Special	1,105,247
Vocational	66,666
Other	904,556
Support services:	
Pupil	228,106
Instructional staff	270,645
Board of education	63,990
Administration	766,187
Fiscal	765,364
Business	19
Operations and maintenance	1,004,872
Pupil transportation	594,760
Central	52,992
Food service operations	532,931
Operations of non-instructional services	5,148
Extracurricular activities	190,649
Intergovernmental pass-through	4,404
Interest and fiscal charges	<u>44,348</u>
Total expenses	<u>9,021,820</u>
Change in net assets	735,022
Net assets at beginning of year	<u>1,035,760</u>
Net assets at end of year	<u><u>\$ 1,770,782</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$735,022. Total governmental expenses of \$9,021,820 were offset by program revenues of \$2,505,212 and general revenues of \$7,251,630. Program revenues supported 27.77% 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 73.81% of total governmental revenue.

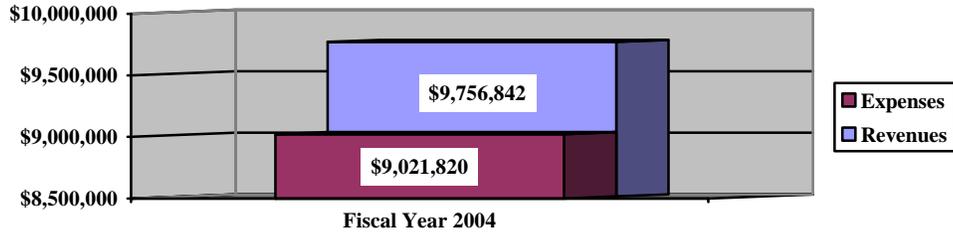
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,497,405 or 49.85% of total governmental expenses for fiscal 2004.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

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

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

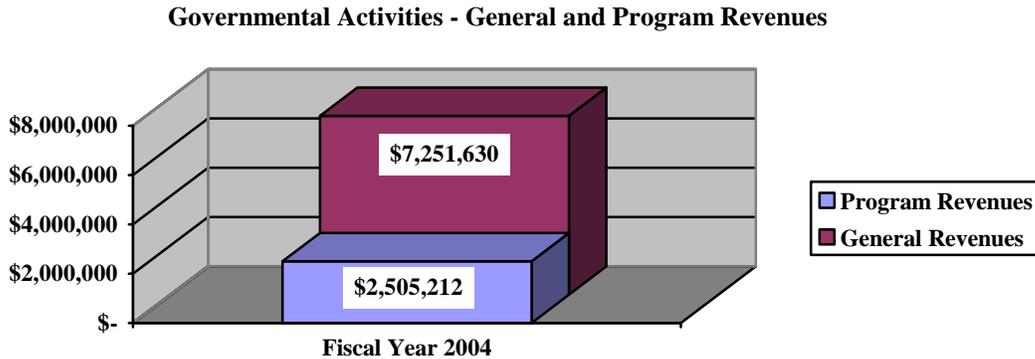
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 2,420,936	\$ 1,310,548
Special	1,105,247	459,014
Vocational	66,666	66,666
Other	904,556	903,552
Support services:		
Pupil	228,106	204,571
Instructional staff	270,645	141,091
Board of education	63,990	63,990
Administration	766,187	750,966
Fiscal	765,364	761,817
Business	19	19
Operations and maintenance	1,004,872	1,004,872
Pupil transportation	594,760	594,760
Central	52,992	33,156
Food service operations	532,931	41,567
Operations of non-instructional services	5,148	(3,542)
Extracurricular activities	190,649	134,809
Intergovernmental pass-through	4,404	4,404
Interest and fiscal charges	44,348	44,348
<b>Total expenses</b>	<b>\$ 9,021,820</b>	<b>\$ 6,516,608</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The dependence upon tax and other general revenues for governmental activities is apparent, 60.92% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.23%. 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 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$397,533, which is higher than last year's total of \$113,545. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Restated Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ (76,701)	\$ (559,595)	\$ 482,894	86.29 %
Other Governmental	<u>474,234</u>	<u>673,140</u>	<u>(198,906)</u>	(29.55) %
Total	<u>\$ 397,533</u>	<u>\$ 113,545</u>	<u>\$ 283,988</u>	250.11 %

**General Fund**

The District's general fund deficit balance decreased \$482,894 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund deficit balance can be attributed to several items related to slightly increasing revenues, decreased expenditures and transfers out. Revenues exceed expenditures for fiscal year 2004 by \$634,441. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,829,610	\$ 2,773,135	\$ 56,475	2.04 %
Tuition	702,093	652,634	49,459	7.58 %
Earnings on investments	6,800	9,088	(2,288)	(25.18) %
Intergovernmental	3,889,830	3,559,153	330,677	9.29 %
Other revenues	<u>38,055</u>	<u>106,287</u>	<u>(68,232)</u>	(64.20) %
 Total	 <u>\$ 7,466,388</u>	 <u>\$ 7,100,297</u>	 <u>\$ 366,091</u>	 5.16 %
<b><u>Expenditures</u></b>				
Instruction	\$ 3,385,490	\$ 3,579,069	\$ (193,579)	(5.41) %
Support services	3,325,317	3,697,469	(372,152)	(10.07) %
Non-instructional services	1,836	5,945	(4,109)	(69.12) %
Extracurricular activities	114,900	181,049	(66,149)	(36.54) %
Intergovernmental pass-through	4,404	14,194	(9,790)	(68.97) %
Debt service	<u>-</u>	<u>29,957</u>	<u>(29,957)</u>	(100.00) %
 Total	 <u>\$ 6,831,947</u>	 <u>\$ 7,507,683</u>	 <u>\$ (675,736)</u>	 (9.00) %

***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 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,615,496 and final budgeted revenues and other financing sources were \$7,458,954. Actual revenues and other financing sources for fiscal 2004 was \$7,459,805. This represents a \$851 increase over final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$7,562,827. The actual budget basis expenditures for fiscal year 2004 totaled \$6,860,521, which was \$702,306 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2004, the District had \$1,562,128 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 2004 balances compared to 2003:

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

	Governmental Activities Restated	
	2004	2003
Land	\$ 220,390	\$ 220,390
Land improvements	71,631	24,184
Building and improvements	1,025,678	1,071,377
Furniture and equipment	36,466	46,081
Vehicles	207,963	141,050
 Total	 \$ 1,562,128	 \$ 1,503,082

The overall increase in capital assets of \$59,046 is due to capital outlays of \$156,500 exceeding depreciation expense of \$97,454 in the fiscal year.

*Debt Administration*

At June 30, 2004, the District had \$50,000 in energy conservation notes and \$689,000 in lease purchase obligations outstanding. Of this total, \$35,000 is due within one year and \$704,000 is due within greater than one year. See Note 9 to the basic financial statements for additional information. The following table summarizes the notes and leases purchase obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2004	2003
Energy conservation notes	\$ 50,000	\$ 75,000
Lease purchase obligation	689,000	699,000
 Total	 \$ 739,000	 \$ 774,000

At June 30, 2004, the District's overall legal debt margin was \$7,184,977, and an unvoted debt margin of \$79,833.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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 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 other, 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. Roger Dacanay, 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, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 696,893
Cash with escrow agent . . . . .	4,442
Receivables:	
Taxes . . . . .	3,758,272
Intergovernmental . . . . .	60,515
Prepayments . . . . .	4,847
Materials and supplies inventory . . . . .	4,985
Capital assets:	
Land . . . . .	220,390
Depreciable capital assets, net . . . . .	1,341,738
Capital assets, net. . . . .	1,562,128
 Total assets. . . . .	 6,092,082
<b>Liabilities:</b>	
Accounts payable. . . . .	9,251
Accrued wages and benefits . . . . .	389,322
Pension obligation payable. . . . .	211,124
Intergovernmental payable . . . . .	52,360
Deferred revenue . . . . .	2,638,548
Accrued interest payable . . . . .	440
Long-term liabilities:	
Due within one year. . . . .	52,500
Due in more than one year . . . . .	967,755
 Total liabilities . . . . .	 4,321,300
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	823,128
Restricted for:	
Capital projects . . . . .	49,548
State funded programs. . . . .	190,289
Federally funded programs. . . . .	161,384
Public school support. . . . .	5,731
Other purposes . . . . .	43,235
Unrestricted. . . . .	497,467
 Total net assets . . . . .	 \$ 1,770,782

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 54,966	\$ 609,692	\$ 664,658
Cash with escrow agent . . . . .	-	4,442	4,442
Receivables:			
Taxes . . . . .	3,641,825	116,447	3,758,272
Intergovernmental . . . . .	-	60,515	60,515
Due from other funds . . . . .	28,443	-	28,443
Loans to other funds. . . . .	35,952	-	35,952
Prepayments. . . . .	4,847	-	4,847
Materials and supplies inventory . . . . .	-	4,985	4,985
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	32,235	-	32,235
Total assets . . . . .	\$ 3,798,268	\$ 796,081	\$ 4,594,349
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 114	\$ 9,137	\$ 9,251
Accrued wages and benefits . . . . .	293,805	95,517	389,322
Pension obligation payable . . . . .	100,448	18,428	118,876
Intergovernmental payable. . . . .	39,350	13,010	52,360
Due to other funds. . . . .	-	28,443	28,443
Loans from other funds . . . . .	-	35,952	35,952
Deferred revenue . . . . .	3,441,252	121,360	3,562,612
Total liabilities. . . . .	3,874,969	321,847	4,196,816
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	49,131	63,051	112,182
Reserved for materials and supplies inventory. . . . .	-	4,985	4,985
Reserved for prepayments . . . . .	4,847	-	4,847
Reserved for property tax unavailable for appropriation . . . . .	200,573	6,407	206,980
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 . . . . .	(399,439)	-	(399,439)
Special revenue funds. . . . .	-	384,716	384,716
Capital projects funds. . . . .	-	15,075	15,075
Total fund balances . . . . .	(76,701)	474,234	397,533
Total liabilities and fund balances . . . . .	\$ 3,798,268	\$ 796,081	\$ 4,594,349

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, 2004

<b>Total governmental fund balances</b>		\$ 397,533
<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.		1,562,128
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 912,744	
Intergovernmental revenue	<u>11,320</u>	
Total		924,064
Long-term liabilities, including lease purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(281,255)	
Pension obligation payable	(92,248)	
Energy conservation notes	(50,000)	
Lease purchase obligation payable	(689,000)	
Accrued interest payable	<u>(440)</u>	
Total		<u>(1,112,943)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 1,770,782</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, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,829,610	\$ 90,724	\$ 2,920,334
Tuition. . . . .	702,093	-	702,093
Earnings on investments. . . . .	6,800	524	7,324
Charges for services . . . . .	-	62,615	62,615
Extracurricular. . . . .	-	70,630	70,630
Classroom materials and fees. . . . .	-	665	665
Other local revenues. . . . .	38,055	4,682	42,737
Intergovernmental - state. . . . .	3,888,305	145,939	4,034,244
Intergovernmental - federal . . . . .	1,525	1,518,396	1,519,921
Total revenues . . . . .	<u>7,466,388</u>	<u>1,894,175</u>	<u>9,360,563</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	2,058,809	225,406	2,284,215
Special. . . . .	422,386	610,379	1,032,765
Vocational. . . . .	61,750	-	61,750
Other. . . . .	842,545	4,371	846,916
Support services:			
Pupil. . . . .	154,896	48,210	203,106
Instructional staff . . . . .	158,293	92,313	250,606
Board of education . . . . .	35,714	-	35,714
Administration. . . . .	685,363	24,123	709,486
Fiscal . . . . .	709,196	7,071	716,267
Business . . . . .	19	-	19
Operations and maintenance. . . . .	938,411	4,529	942,940
Pupil transportation . . . . .	614,463	-	614,463
Central. . . . .	28,962	20,653	49,615
Food service operations . . . . .	-	488,546	488,546
Other non-instructional services. . . . .	1,836	2,984	4,820
Extracurricular activities. . . . .	114,900	63,550	178,450
Intergovernmental pass-through . . . . .	4,404	-	4,404
Facilities acquisition and construction . . . . .	-	573,033	573,033
Debt service:			
Principal retirement . . . . .	-	35,000	35,000
Interest and fiscal charges . . . . .	-	44,460	44,460
Total expenditures . . . . .	<u>6,831,947</u>	<u>2,244,628</u>	<u>9,076,575</u>
Excess of revenues over/(under) expenditures	<u>634,441</u>	<u>(350,453)</u>	<u>283,988</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	151,547	151,547
Transfers (out). . . . .	(151,547)	-	(151,547)
Total other financing sources (uses) . . . . .	<u>(151,547)</u>	<u>151,547</u>	<u>-</u>
Net change in fund balances . . . . .	482,894	(198,906)	283,988
<b>Fund balances at beginning of year (restated) . . . . .</b>			
	<u>(559,595)</u>	<u>673,140</u>	<u>113,545</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ (76,701)</u>	<u>\$ 474,234</u>	<u>\$ 397,533</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, 2004

**Net change in fund balances - total governmental funds** \$ 283,988

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

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

Capital asset additions	\$ 156,500	
Current year depreciation	(97,454)	
<b>Total</b>	<b>59,046</b>	<b>59,046</b>

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

Taxes	391,405	
Intergovernmental revenue	4,874	
<b>Total</b>	<b>396,279</b>	<b>396,279</b>

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

35,000

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.

Accrued interest		112
------------------	--	-----

Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(39,403)

**Change in net assets of governmental activities** **\$ 735,022**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT IN REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,883,487	\$ 2,827,198	\$ 2,827,198	\$ -
Tuition. . . . .	716,072	702,093	702,093	-
Earnings on investments. . . . .	7,470	7,324	6,800	(524)
Other local revenues . . . . .	3,958,788	3,888,454	3,889,829	1,375
Total revenues . . . . .	<u>7,565,817</u>	<u>7,425,069</u>	<u>7,425,920</u>	<u>851</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,292,979	2,292,979	2,080,047	212,932
Special. . . . .	197,125	197,125	178,819	18,306
Vocational. . . . .	78,824	78,824	71,504	7,320
Other. . . . .	956,648	956,648	867,811	88,837
Support services:				
Pupil. . . . .	172,937	172,937	156,878	16,059
Instructional staff . . . . .	198,040	198,040	179,649	18,391
Board of education . . . . .	39,681	39,681	35,996	3,685
Administration. . . . .	756,576	756,576	686,318	70,258
Fiscal . . . . .	830,458	830,458	753,339	77,119
Business . . . . .	21	21	19	2
Operations and maintenance. . . . .	1,028,455	1,028,455	932,950	95,505
Pupil transportation . . . . .	670,743	670,743	608,456	62,287
Central. . . . .	33,846	33,846	30,703	3,143
Operation of non-instructional services . . . . .	2,024	2,024	1,836	188
Extracurricular activities. . . . .	126,277	126,277	114,551	11,726
Total expenditures . . . . .	<u>7,384,634</u>	<u>7,384,634</u>	<u>6,698,876</u>	<u>685,758</u>
Excess of revenues over/(under) expenditures. . . . .	<u>181,183</u>	<u>40,435</u>	<u>727,044</u>	<u>686,609</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	34,560	33,885	33,885	-
Transfers in. . . . .	15,119	-	-	-
Transfers (out) . . . . .	(173,338)	(173,338)	(157,241)	16,097
Pass-Through. . . . .	(4,855)	(4,855)	(4,404)	451
Total other financing sources (uses) . . . . .	<u>(128,514)</u>	<u>(144,308)</u>	<u>(127,760)</u>	<u>16,548</u>
Net change in fund balance . . . . .	52,669	(103,873)	599,284	703,157
<b>Fund balance at beginning of year. . . . .</b>	(615,362)	(615,362)	(615,362)	-
<b>Prior year encumbrances appropriated . . . . .</b>	78,421	78,421	78,421	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ (484,272)</u>	<u>\$ (640,814)</u>	<u>\$ 62,343</u>	<u>\$ 703,157</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, 2004

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 184	\$ 27,440
Total assets. . . . .	184	27,440
<b>Liabilities:</b>		
Due to students . . . . .	-	27,440
Total liabilities . . . . .	-	\$ 27,440
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	184	
Total net assets . . . . .	\$ 184	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Net assets at beginning of year . . . . .	\$ 184
Net assets at end of year . . . . .	\$ 184

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**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 545<sup>th</sup> largest by enrollment among the 614 public school districts in the state. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 53 non-certified and 78 certified employees to provide services to 808 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). 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, 2004**

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

*JOINTLY GOVERNED ORGANIZATIONS*

Miami Valley Career Technology Center

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

Metropolitan Dayton Educational Cooperative (MDECA)

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

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

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, 2004**

**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, 2004**

**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 a 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, 2004, but which were levied to finance fiscal year 2005 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, 2004**

**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 2004 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 Commissioners waived this requirement for fiscal 2004.
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 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although, resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**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 level.

**F. Cash and Investments**

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

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

During fiscal year 2004, investments were limited to STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private purpose trust funds. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$6,800, which includes \$6,800 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, 2004

**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. During fiscal year 2004, the District increased its capitalization threshold from \$250 to \$2,500. The change in capitalization threshold was the result of differences in asset costs between the time that the previous threshold was adopted and the current fiscal year, and due to a perceived lack of future economic benefit to be derived from deferring the costs of smaller capital assets (see Note 8). 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:

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**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, 2004, 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, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation, BWC refunds, school bus purchases, 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, 2004**

**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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net 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 school bus purchase reserve and a reserve for Bureau of Workers' Compensation ("BWC") refunds. 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 basis 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 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

***Governmental Activities - Fund Reclassification and Restatement of Fund Balance*** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ (578,331)	\$ 552,970	\$ (25,361)
Fund reclassifications	-	120,170	120,170
Implementation of GASB Interpretation No. 6	18,736	-	18,736
Restated fund balance, June 30, 2003	\$ (559,595)	\$ 673,140	\$ 113,545

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 113,545
GASB 34 adjustments:	
Long-term (deferred) assets	527,785
Capital assets	1,503,082
Accrued interest payable	(552)
Pension obligation	(89,049)
Long-term liabilities	(1,019,051)
Governmental activities net assets, June 30, 2003	\$ 1,035,760

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
General	\$ 76,701
 <u>Nonmajor Governmental Funds</u>	
District Managed Student Activity	11,419
Summer Intervention	125
Title VI	3
Drug Free School Grant	1,831
Reducing Class Size	24,584
Permanent Improvement	6,259

The General fund and Summer Intervention fund complied with Ohio state law, which does not permit a cash-basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Compliance**

- i. Contrary to Ohio Revised Code 5705.10, the District had the following cash-basis deficits at June 30, 2004:

<u>Funds</u>	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
District Managed Student Activity	\$ 414
Title VI	3
Drug Free School Grant	1,617
Reducing Class Size	13,743
Permanent Improvement	12,666

- ii. Contrary to Ohio Revised Code Section 5705.41(B), the District is unlawfully expending monies that have not been approved, and could result in negative fund balances as follows:

<u>Nonmajor Funds</u>	<u>Excess</u>
Bond Retirement	\$ 1,350
Permanent Improvement	35,566
Food Service	59,776
Public School Fund	12,223
Smart Grant	7,989
District Managed Student Activity Fund	6,947
Career Development	234
Management Information System	7,348
Disadvantaged Pupil Impact Aid	359,825
SchoolNet	4,858
Data Communication	17,128
SchoolNet Professional Development	1,342
Video Distance Learning	400
Ohio Reads	13,303
Summer Intervention	15,522
Emergency School Building Repair Program	106,344
Special Educaiton	56,636
Title I	439,121
Title V	5,562
Drug-Free School Grant	27,946
Preschool Grant	1,651
Improving Teacher Quality	120,685
Miscellaneous Federal Grants	24,930

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

- iii. Contrary to Ohio Revised Code Section 5705.39 requires that a subdivision’s total appropriations from each fund should not exceed the total estimated resources. It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

<u>Fund</u>	<u>Excess</u>
General fund	\$ 99,703
Auxiliary services	4,319
Teacher development	8,001

- iv. Contrary to Ohio Revised Code Section 5705.41(D) the District did not properly certify that the amount required to meet such a commitment 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 encumbrance. Of the 2004 expenditures tested, 33% were in noncompliance.
- v. Contrary to Ohio Revised Code Section 5705.38 requires that the District’s annual permanent appropriations measure to be passed by October first. It was noted that the District did not pass an appropriation measure until May 27, 2004.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$(163,631) and the bank balance was \$66,864. 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. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal deposit insurance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Reported Amount</u>	<u>Fair Value</u>
Investment in STAR Ohio	<u>\$ 888,148</u>	<u>\$ 888,148</u>
Total investments	<u>\$ 888,148</u>	<u>\$ 888,148</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 728,959	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(888,148)	888,148
Cash with escrow agent	<u>(4,442)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (163,631)</u>	<u>\$ 888,148</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the fiscal year ended June 30, 2004 consisted of the following, as reported in the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	
General Fund	\$ 151,547

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund balances at June 30, 2004 consist of the following loans to and from other funds, as reported in the fund financial statements:

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

- C.** Interfund balances at June 30, 2004 consist of the following due to and from other funds, as reported in the fund financial statements:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 28,443	\$ -
<u>Nonmajor Governmental Funds:</u>		
District Managed Student Activity	-	414
Title VI	-	3
Drug Free School Grant	-	1,617
Reducing Class Size	-	13,743
Permanent Improvement	-	12,666
Total	<u>\$ 28,443</u>	<u>\$ 28,443</u>

**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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - PROPERTY TAXES - (Continued)**

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 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, 2004 was \$200,573 in the general fund and \$6,407 in the permanent improvement fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2003 was \$198,160 in the general fund and \$6,329 in the permanent improvement fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 66,447,480	83.16	\$ 67,436,750	84.48
Public utility personal	6,247,070	7.82	6,086,910	7.63
Tangible personal property	<u>7,212,670</u>	<u>9.02</u>	<u>6,309,420</u>	<u>7.89</u>
Total	<u>\$ 79,907,220</u>	<u>100.00</u>	<u>\$ 79,833,080</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, 2004 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities**

Taxes	<u>\$ 3,758,272</u>
-------	---------------------

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated for changes in the District's capital asset policy (see Note 2.H), for errors and omissions reported in prior years, and to depreciate capital assets in accordance with GASB Statement No. 34.

	Balance 6/30/03	Adjustments	Restated Balance 6/30/03
<b><u>Governmental Activities</u></b>			
Capital assets, not being depreciated:			
Land	\$ -	\$ 220,390	\$ 220,390
Total capital assets, not being depreciated	-	220,390	220,390
Capital assets, being depreciated:			
Land improvements	297,426	67,222	364,648
Buildings and improvements	4,735,474	(765,434)	3,970,040
Furniture and equipment	2,127,757	(1,847,246)	280,511
Vehicles	759,609	(262,575)	497,034
Total capital assets, being depreciated	7,920,266	(2,808,033)	5,112,233
<i>Less: accumulated depreciation</i>	-	(3,829,541)	(3,829,541)
Governmental activities capital assets, net	\$ 7,920,266	\$ (6,417,184)	\$ 1,503,082

- B. Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	Restated Balance 06/30/03	Additions	Deductions	Balance 06/30/04
<b><u>Governmental Activities</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 220,390	\$ -	\$ -	\$ 220,390
Total capital assets, not being depreciated	220,390	-	-	220,390
<i>Capital assets, being depreciated:</i>				
Land improvements	364,648	52,500	-	417,148
Buildings and improvements	3,970,040	-	-	3,970,040
Furniture and equipment	280,511	-	-	280,511
Vehicles	497,034	104,000	-	601,034
Total capital assets, being depreciated	5,112,233	156,500	-	5,268,733
<i>Less: accumulated depreciation:</i>				
Land improvements	(340,464)	(5,053)	-	(345,517)
Buildings and improvements	(2,898,663)	(45,699)	-	(2,944,362)
Furniture and equipment	(234,430)	(9,615)	-	(244,045)
Vehicles	(355,984)	(37,087)	-	(393,071)
Total accumulated depreciation	(3,829,541)	(97,454)	-	(3,926,995)
Governmental activities capital assets, net	\$ 1,503,082	\$ 59,046	\$ -	\$ 1,562,128

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 27,749
<u>Support Services:</u>	
Board of Education	26,537
Administration	2,180
Pupil transportation	37,717
Extracurricular activities	54
Food service operations	<u>3,217</u>
Total depreciation expense	<u>\$ 97,454</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted as long-term obligations of the District. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues. The following is a description of the notes outstanding as of June 30, 2004:

	<u>Interest</u>	<u>Maturity</u>	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>Rate</u>	<u>Date</u>	<u>Outstanding</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u>	<u>Due in</u>
			<u>06/30/03</u>			<u>06/30/04</u>	<u>One Year</u>
<b><u>Governmental Activities</u></b>							
H.B. 264 - Energy conservation notes	5.40%	12/01/05	\$ 75,000	\$ -	\$ (25,000)	\$ 50,000	\$ 25,000
Total long-term obligations, governmental activities			<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ 50,000</u>	<u>\$ 25,000</u>

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

<u>Year Ending</u>	<u>Principal on</u>	<u>Interest on</u>	<u>Total</u>
<u>June 30</u>	<u>Notes</u>	<u>Notes</u>	
2005	\$ 25,000	\$ 2,025	\$ 27,025
2006	<u>25,000</u>	<u>675</u>	<u>25,675</u>
Total	<u>\$ 50,000</u>	<u>\$ 2,700</u>	<u>\$ 52,700</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

- B.** In prior years, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for the construction of an administration building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenues of the District. During fiscal 2004, the District paid \$10,000 in principal and \$41,085 in interest and fiscal charges on the lease-purchase agreement. Principal and interest payments are recorded as debt service expenditures in the Permanent Improvement capital projects fund.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>
2005	\$ 50,493
2006	50,871
2007	50,219
2008	50,539
2009	50,800
2010 - 2014	252,298
2015 - 2019	252,250
2020 - 2024	251,143
2025 - 2029	199,320
2030 - 2032	<u>199,785</u>
Total	1,407,718
Less interest	<u>(718,718)</u>
Present value	<u>\$ 689,000</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. At June 30, 2004, the funds held by the escrow agent are reported as "Cash with Escrow Agent" in the basic financial statements.

- C.** The long-term obligations balance has been restated as of June 30, 2003. The balance of compensated absences at June 30, 2003 has been restated for the implementation of GASB Interpretation No. 6, from \$214,226 to \$245,051. The balance of pension obligations at June 30, 2003, \$77,773, has been removed from long-term obligations in accordance with GASB Statement No. 34. Compensated absences will be paid from the fund in which the employee is paid. During the year ended June 30, 2004, the following changes occurred in the liabilities reported in the long-term obligations:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

	Balance 6/30/03	Restatement	Restated Balance 7/1/2003	Additions	Reductions	Balance 6/30/04	Amounts Due in One Year
<b><u>Governmental Activities</u></b>							
Energy conservation notes payable	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ (25,000)	\$ 50,000	\$ 25,000
Obligation under lease- purchase agreement	699,000	-	699,000	-	(10,000)	689,000	10,000
Compensated absences payable	214,226	30,825	245,051	77,553	(41,349)	281,255	17,500
Pension obligation payable	77,773	(77,773)	-	-	-	-	-
Total governmental activities long-term liabilities	<u>\$ 1,065,999</u>	<u>\$ (46,948)</u>	<u>\$ 1,019,051</u>	<u>\$ 77,553</u>	<u>\$ (76,349)</u>	<u>\$ 1,020,255</u>	<u>\$ 52,500</u>

**D. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$7,184,977, an unvoted debt margin of \$79,833, and an Energy Conservation debt margin of \$668,498.

**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 2003.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2004, 9.09% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$176,574, \$215,479, and \$214,843, respectively; 37.77% has been contributed for fiscal year 2004, and 100% for fiscal years 2003 and 2002. \$109,884 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, 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% 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$427,109, \$452,369, and \$455,132, respectively; 80.74% has been contributed for fiscal year 2004, and 100% for fiscal years 2003 and 2002. \$82,248 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined plans for fiscal 2004 were \$6,557 made by the District and \$9,994 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$30,508 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$65,333 during the 2004 fiscal year.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ 599,284
Net adjustment for revenue accruals	40,468
Net adjustment for expenditure accruals	(182,202)
Net adjustment for other sources/uses	(23,787)
Adjustment for encumbrances	<u>49,131</u>
GAAP basis	<u>\$ 482,894</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NOTE 15 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, 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, 2003	\$ (295,951)	\$ (1,159,750)	\$ 25,107
Current year set-aside requirement	117,752	117,752	-
Current year offsets	-	(102,031)	-
Qualifying disbursements	<u>(16,091)</u>	<u>(66,420)</u>	<u>-</u>
<b>Total</b>	<u>\$ (194,290)</u>	<u>\$ (1,210,449)</u>	<u>\$ 25,107</u>
Cash balance carried forward to FY 2005	<u>\$ (235,114)</u>	<u>\$ (1,261,781)</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 may 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 15 - STATUTORY RESERVES - (Continued)**

The District had qualifying disbursements and offsets during the year that reduced the capital acquisition set-aside amount below zero. This extra amount may not be used to reduce the set-aside requirement of future years. This negative amount is therefore presented as being carried forward to the next fiscal year.

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

A schedule of the restricted assets at June 30, 2004 follows:

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

**NOTE 16 - SUBSEQUENT EVENT**

Roger Delaney, Treasurer, resigned on March 30, 2006. The District is in the process of finding a new Treasurer.

## **SUPPLEMENTAL DATA**

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Grant Cluster:</b>						
(A),(B) Food Donation	10.550	N/A	\$ -	\$ 61,967	\$ -	\$ 61,967
(A),(D) School Breakfast Program	10.553	048686-05-PU-2003	20,351		20,351	
(A),(D) School Breakfast Program	10.553	048686-05-PU-2004	87,063		87,063	
(A),(D) National School Lunch	10.555	048686-LL-P4-2003	32,506		32,506	
(A),(D) National School Lunch	10.555	048686-LL-P4-2004	147,455		147,455	
(A),(D) Summer Food Program	10.559	048686-23-PU-2003	22,483		22,483	
(A),(D) Summer Food Program	10.559	048686-24-PU-2004	3,154		3,154	
<b>Total U.S. Department of Agriculture and Nutrition Grant Cluster</b>			<b>313,012</b>	<b>61,967</b>	<b>313,012</b>	<b>61,967</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I - Grants to Local Educational Agencies	84.010	048686-C1-S1-2002	-		1,774	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-S1-2003	61,718		186,689	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-S1-2004	479,560		352,394	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-SD-2003	13,893		2,753	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-SD-2004	33,207		18,444	
Title I - Grants to Local Educational Agencies	84.010	048686-C1-SK-2004	50,000		49,694	
<b>Total Title I</b>			<b>638,378</b>		<b>611,748</b>	
<b>Special Education Grant Cluster:</b>						
(C) Title VI-B - Education of the Handicapped Act	84.027	048686-6B-SF-2003-P	77,455		138,545	
(C) Title VI-B - Education of the Handicapped Act	84.027	048686-6B-SF-2004-P	111,201		95,741	
<b>Total VI-B</b>			<b>188,656</b>		<b>234,286</b>	
(C) Special Education Preschool	84.173	048686-PG-S1-2003-P	1,618		-	
(C) Special Education Preschool	84.173	048686-PG-S1-2004-P	1,940		1,677	
<b>Total Special Education Preschool</b>			<b>3,558</b>		<b>1,677</b>	
<b>Total Special Education Grant Cluster</b>			<b>192,214</b>		<b>235,963</b>	
(F) Safe and Drug-Free Schools	84.186	048686-DR-S1-2002	(991)		-	
(F) Safe and Drug-Free Schools	84.186	048686-DR-S1-2003	(823)		10,506	
(F) Safe and Drug-Free Schools	84.186	048686-DR-S1-2004	22,885		18,740	
<b>Total Safe and Drug-Free Schools</b>			<b>21,071</b>		<b>29,246</b>	
Goals 2000	84.276	048686-G2-SP-2001	-		12,050	
<b>Total Goals 2000</b>			<b>-</b>		<b>12,050</b>	
Innovative Education Program	84.298	048686-C2-S1-2003	4,223		2,900	
Innovative Education Program	84.298	048686-C2-S1-2004	5,659		5,662	
<b>Total Innovative Education Program</b>			<b>9,882</b>		<b>8,562</b>	
Technology Literacy Challenge	84.318	048686-TF-S3-2003	1,694		10,003	
Technology Literacy Challenge	84.318	048686-TF-S1-2004	14,181		5,330	
<b>Total Technology Literacy Challenge</b>			<b>15,875</b>		<b>15,333</b>	
Comprehensive School Reform Program	84.332	048686-RF-S1-2003	49,452		41,963	
Comprehensive School Reform Program	84.332	048686-RF-S1-2004	39,441		42,093	
<b>Total Comprehensive School Reform Program</b>			<b>88,893</b>		<b>84,056</b>	
(F) School Renovation, IDEA and Technology	84.352A	048686-AT-S2-2002	(191)		-	
(F) School Renovation, IDEA and Technology	84.352A	048686-AT-S4-2002	(20)		741	
<b>Total School Renovation, IDEA and Technology</b>			<b>(211)</b>		<b>741</b>	
Improving Teacher Quality	84.367	048686-TR-S1-2003	14,786		54,857	
Improving Teacher Quality	84.367	048686-TR-S1-2004	81,018		79,828	
<b>Total Improving Teacher Quality</b>			<b>95,804</b>		<b>134,685</b>	
<b>Total U.S. Department of Education</b>			<b>1,061,906</b>		<b>1,132,384</b>	
<b>Total Federal Financial Assistance</b>			<b>\$ 1,374,918</b>	<b>\$ 61,967</b>	<b>\$ 1,445,396</b>	<b>\$ 61,967</b>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
(B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
(C) Included as part of "Special Education 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) This schedule was prepared on the cash basis of accounting.  
(F) Monies refunded to the Ohio Department of Education due to the expiration of the period of availability.



**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 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 governmental activities, its major fund, and the aggregate remaining fund information of Jefferson Township Local School District as of and for the fiscal year ended June 30, 2004, which collectively comprise the Jefferson Township Local School District's basic financial statements and have issued our report thereon dated February 8, 2006. During the fiscal year ended June 30, 2004, the Jefferson Township Local School District implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". In addition, as disclosed in Note 8, the District had a prior period adjustment for capital assets for implementing a new threshold and prior years errors and omissions. 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

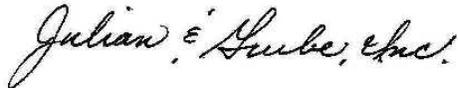
In planning and performing our audit, we considered the Jefferson Township Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated February 8, 2006.

Board of Education  
Jefferson Township Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 five instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-JTLSD-001, 2004-JTLSD-002, 2004-JTLSD-003, 2004-JTLSD-004 and 2004-JTLSD-005. We also noted certain matters that we reported to the management of Jefferson Township Local School District in a separate letter dated February 8, 2006.

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



Julian & Grube, Inc.  
February 8, 2006, except for Note 16 which is dated March 30, 2006



**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 Each  
Major Federal Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

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

Compliance

We have audited the compliance of Jefferson Township Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004. During the fiscal year ended June 30, 2004, Jefferson Township Local School District implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". In addition, as disclosed in Note 8, the District had a prior period adjustment for capital assets for implementing a new threshold and prior years errors and omissions. Jefferson Township Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs are 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 occurred 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.

In our opinion, Jefferson Township Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings as item 2004-JTLSLSD-006.

Board of Education  
Jefferson Township Local School District

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. However, we noted a certain matter involving the internal control over compliance that we reported to the management of the Jefferson Township Local School District in a separate letter dated February 8, 2006.

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.  
February 8, 2006, except for Note 16 which is dated March 30, 2006

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I: CFDA #84.010 and Nutrition Grant Cluster: Food distribution CFDA #10.550; School Breakfast Program: CFDA #10.553; National School Lunch Program: CFDA #10.555; Summer Food Program: CFDA #10.559
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2004-JTLSD-001

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

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

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

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

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

Finding Number	2004-JTLSD-002
----------------	----------------

Ohio Revised Code Section 5705.38 requires that the District's annual permanent appropriations measure to be passed by October first.

It was noted that the District did not pass an appropriation measure until May 27, 2004. Prior to the passing the appropriation measure, the District incurred expenditures.

The District is not effectively budgeting for expenditures and thus expenditures are exceeding appropriations.

We recommend that the Board adopt approval procedures for the appropriation measures and include these procedures in accounting policies and procedures manual. We recommend that the Treasurer develop a tickler file including all significant due dates of the budgeting process.

Client response: The Treasurer will develop a tickler system to approve annual permanent appropriations prior to October 1st.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2004-JTLSD-003

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

The District had expenditures exceeding appropriations in the following funds:

<u>Nonmajor Funds</u>	<u>Excess</u>
Bond Retirement	\$ 1,350
Permanent Improvement	35,566
Food Service	59,776
Public School Fund	12,223
Smart Grant	7,989
District Managed Student Activity Fund	6,947
Career Development	234
Management Information System	7,348
Disadvantaged Pupil Impact Aid	359,825
SchoolNet	4,858
Data Communication	17,128
SchoolNet Professional Development	1,342
Video Distance Learning	400
Ohio Reads	13,303
Summer Intervention	15,522
Emergency School Building Repair Program	106,344
Special Educaiton	56,636
Title I	439,121
Title V	5,562
Drug-Free School Grant	27,946
Preschool Grant	1,651
Improving Teacher Quality	120,685
Miscellaneous Federal Grants	24,930

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

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

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

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2004-JTLSD-004

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

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

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 99,703
Auxiliary Services	4,319
Teacher Development	8,001

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

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

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

Finding Number	2004-JTLSD-005
----------------	----------------

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

It was noted during the audit, that the District maintained negative cash fund balances throughout and at the end of the year. The negative cash fund balances at June 30, 2004 in the following funds:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
District Managed Student Activity	\$ 414
Title VI	3
Drug Free School Grant	1,617
Reducing Class Size	13,743
Permanent Improvement	12,666

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.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2004-JTLSD-005 - (Continued)

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 District will monitor expenditures in relation to revenues and transfer or advance funds as necessary.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

Audit Requirement

Finding Number	2004-JTLSD-006
CFDA Title and Number	N/A
Federal Award Number/Year	N/A
Federal Agency	N/A
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year.

The District expended \$1,507,363 in federal awards in fiscal year 2004 and did not have an annual Single Audit conducted until fiscal year 2005.

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

Client response: Will monitor federal expenditures and complete a Single Audit annually and timely.

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

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2003-JTLSD-001	Ohio Revised Code Section 5705.39 requires that no subdivision appropriate more than its estimated resources.	No	Repeated, see 2004-JTLSD-004
2003-JTLSD-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Repeated, see 2004-JTLSD-003
2003-JTLSD-003	Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until October 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances.	No	Repeated, see 2004-JTLSD-002
2003-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 expenditure.	No	Repeated, see 2004-JTLSD-005
2003-JTLSD-005	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal office.	No	Repeated, see 2004-JTLSD-1





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
JUNE 20, 2006**