



**Auditor of State  
Betty Montgomery**



**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Jennings Local School District  
Putnam County  
655 N. Water Street, P.O. Box 98  
Fort Jennings, Ohio 45844-0098

To the Board of Education:

We have audited the accompanying financial statements of Jennings Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 also includes assessing the accounting principles used and 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 opinion.

Ohio Administrative Code § 117-2-3(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2 and 3, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Jennings Local School District, as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended for the information and use of the audit/finance committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 21, 2003

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS  
AND FUND CASH BALANCES  
ALL FUND TYPES  
AS OF JUNE 30, 2003**

<b>Cash and Cash Equivalents</b>	<b><u><u>\$5,202,712</u></u></b>
 <b>Cash Balances by Fund Type</b>	
Governmental Fund Types:	
General Fund	\$262,051
Special Revenue Funds	153,493
Debt Service Funds	8,235
Capital Projects Funds	4,693,047
Proprietary Fund Type:	
Enterprise Funds	59,479
Internal Service Fund	100
Fiduciary Fund Types:	
Expendable Trust Fund	778
Agency Funds	<u>25,529</u>
 <b>Total</b>	 <b><u><u>\$5,202,712</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Cash receipts:</b>		
Property tax and other local taxes	\$640,556	\$12,728
Intergovernmental	1,926,204	49,721
Tuition	128,947	
Earnings on investments	24,460	180
Extracurricular activities		80,944
Classroom materials and fees	30,286	
Donations		21,275
Miscellaneous	11,036	5,020
Total cash receipts	<u>2,761,489</u>	<u>169,868</u>
<b>Cash disbursements:</b>		
Instruction		
Regular	1,318,048	13,020
Special	180,488	4,885
Vocational education	48,290	
Other instruction	94,800	
Supporting services		
Pupils	37,467	15,307
Instructional staff	88,960	9,913
Board of Education	32,074	
Administration	352,185	10,229
Fiscal services	103,149	476
Operation and maintenance of plant	230,186	
Pupil transportation	108,890	
Central	870	4,200
Extracurricular activities	80,047	110,529
Facilities acquisition and construction	3,925	
Debt service:		
Repayment of debt	27,500	
Total cash disbursements	<u>2,706,879</u>	<u>168,559</u>
Total receipts over/(under) disbursements	<u>54,610</u>	<u>1,309</u>
<b>Other financing receipts and (disbursements):</b>		
Sale of bonds or notes	100,000	
Sale of fixed assets		
Transfers-In		18,128
Transfers-Out	(507,286)	
Advances-In	4,598	5,618
Advances-Out	(5,618)	(4,598)
Refund of prior year's expenditures		150
Refund of prior year's receipts		(100)
Total other financing receipts/(disbursements)	<u>(408,306)</u>	<u>19,198</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(353,696)	20,507
Fund cash balances, July 1	<u>615,747</u>	<u>132,986</u>
<b>Fund cash balances, June 30</b>	<u><b>\$262,051</b></u>	<u><b>\$153,493</b></u>
Reserves for encumbrances, June 30	<u><u>\$53,501</u></u>	<u><u>\$21,295</u></u>

*The notes to the financial statements are an integral part of this statement.*



Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$203,948	\$32,281		\$889,513
28,394	4,267,765		6,272,084
	180,263	\$6	128,947
			204,909
			80,944
			30,286
			21,275
	1,030		17,086
<u>232,342</u>	<u>4,481,339</u>	<u>6</u>	<u>7,645,044</u>
	46,500		1,377,568
			185,373
			48,290
			94,800
			52,774
			98,873
			32,074
5,216	7,858		362,414
			116,699
	12,052		230,186
			120,942
			5,070
			190,576
	7,996,694		8,000,619
<u>229,136</u>			<u>256,636</u>
<u>234,352</u>	<u>8,063,104</u>		<u>11,172,894</u>
<u>(2,010)</u>	<u>(3,581,765)</u>	<u>6</u>	<u>(3,527,850)</u>
			100,000
	137,004		137,004
	619,048		637,176
	(100,845)		(608,131)
			10,216
			(10,216)
	504		654
			(100)
	<u>655,711</u>		<u>266,603</u>
(2,010)	(2,926,054)	6	(3,261,247)
<u>10,245</u>	<u>7,619,101</u>	<u>772</u>	<u>8,378,851</u>
<u>\$8,235</u>	<u>\$4,693,047</u>	<u>\$778</u>	<u>\$5,117,604</u>
	<u>\$4,816,192</u>		<u>\$4,890,988</u>

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating cash receipts:</b>				
Food services	\$98,805			\$98,805
Extracurricular activities			\$51,483	51,483
Total operating cash receipts	<u>98,805</u>		<u>51,483</u>	<u>150,288</u>
<b>Operating cash disbursements:</b>				
Personal services	33,823			33,823
Employees retirement and insurance	17,454			17,454
Purchased services	6,937			6,937
Supplies and materials	53,840			53,840
Other operating expenses	302		49,901	50,203
Total operating cash disbursements	<u>112,356</u>		<u>49,901</u>	<u>162,257</u>
Operating income	<u>(13,551)</u>		<u>1,582</u>	<u>(11,969)</u>
<b>Non-operating cash receipts:</b>				
Intergovernmental receipts	17,322			17,322
Earnings on investments	519			519
Other non-operating receipts	132		242	374
Total non-operating cash receipts	<u>17,973</u>		<u>242</u>	<u>18,215</u>
Excess of receipts over disbursements before interfund transfers	4,422		1,824	6,246
Transfers-Out	<u>(29,045)</u>			<u>(29,045)</u>
Net receipts over/(under) disbursements	(24,623)		1,824	(22,799)
Fund cash balances, July 1	84,102	\$100	23,705	107,907
<b>Fund cash balances, June 30</b>	<b><u>\$59,479</u></b>	<b><u>\$100</u></b>	<b><u>\$25,529</u></b>	<b><u>\$85,108</u></b>
Reserve for encumbrances, June 30	<u>\$3,792</u>		<u>\$1,150</u>	<u>\$4,942</u>

*The notes to the financial statements are an integral part of this statement.*

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS  
BUDGET AND ACTUAL  
ALL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Governmental Fund Types:</b>			
General Fund	\$3,156,527	\$2,861,489	(\$295,038)
Special Revenue Funds	209,224	188,146	(21,078)
Debt Service Funds	232,319	232,342	23
Capital Projects Funds	13,273,505	5,237,895	(8,035,610)
<b>Proprietary Fund Type:</b>			
Enterprise Funds	109,000	116,778	7,778
<b>Fiduciary Fund Type:</b>			
Trust Funds	15	6	(9)
<b>Total (Memorandum Only)</b>	<b>\$16,980,590</b>	<b>\$8,636,656</b>	<b>(\$8,343,934)</b>

*The notes to the financial statements are an integral part of this statement.*

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
ALL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Prior Year Carryover Appropriations</u>	<u>2003 Appropriations</u>
<b>Governmental Fund Types:</b>		
General Fund	\$104,060	\$3,668,215
Special Revenue Funds	24,707	317,504
Debt Service Fund		242,564
Capital Projects Funds	11,641,373	9,251,232
<b>Proprietary Fund Type:</b>		
Enterprise Funds	3,155	189,947
Internal Service Fund		100
<b>Fiduciary Fund Type:</b>		
Trust Funds		<u>778</u>
<b>Total (Memorandum Only)</b>	<u><u>\$11,773,295</u></u>	<u><u>\$13,670,340</u></u>

*The notes to the financial statements are an integral part of this statement.*

<u>Total</u>	<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding at 6/30/2003</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$3,772,275	\$3,214,165	\$53,501	\$3,267,666	\$504,609
342,211	168,659	21,295	189,954	152,257
242,564	234,352		234,352	8,212
20,892,605	8,163,949	4,816,192	12,980,141	7,912,464
193,102	141,401	3,792	145,193	47,909
100				100
778				778
<b><u><u>\$25,443,635</u></u></b>	<b><u><u>\$11,922,526</u></u></b>	<b><u><u>\$4,894,780</u></u></b>	<b><u><u>\$16,817,306</u></u></b>	<b><u><u>\$8,626,329</u></u></b>

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**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 1 – DESCRIPTION OF THE ENTITY**

Jennings Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1856. The School District serves an area of approximately 26 square miles. It is located in Putnam County and includes the Village of Fort Jennings and portions of Jennings, Jackson and Sugar Creek Townships. The School District is the 600<sup>th</sup> largest in the State of Ohio (among 612 School District) in terms of enrollment. It is staffed by 14 classified employees, 31 certified full-time teaching personnel, and four administrative employees who provide services to 467 students and other community members. The School District currently operates one elementary school and one middle/high school.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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

Although required by Ohio Administrative Code § 117-2-3(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

A general fixed asset group and general long-term debt obligation group of accounts is not recorded on the financial statements by the District under the basis of accounting used. By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

**A. Basis of Presentation – Fund Accounting**

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest other than that accounted for in the proprietary fund.

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

**2. Proprietary Fund Types**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

Enterprise Fund – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund – The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency of a government fund to other departments or agencies on a cost-reimbursements basis. Charges are intended only to recoup the total cost of such services.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds.



**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**B. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Budget**

The Putnam County Auditor has waived the requirement for filing a budget with the County Budget Commission.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by April 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30 the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Board of Education approves appropriations at the fund level of control.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over and need not be reappropriated.

**C. Property, Plant, and Equipment**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**D. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

**E. Cash and Investments**

The District maintains a cash and investment pool which is available for all funds. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances. During fiscal year 2003, investments were limited to certificates of deposit, withdrawable (NOW) accounts, money market deposit accounts, savings accounts, local phone company stock and federal agency securities. All investments of the District had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute and Board resolution.

**F. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

**NOTE 3 – ACCOUNTING CHANGE**

During fiscal year 2003, the District changed its method of accounting from generally accepted accounting principles to a basis in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The affect on the excess of revenues over/(under) disbursements/expenditures as previously reported, although potentially material, cannot be determined at this time. This change had the following affect on fund balances as previously reported:

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

<u>Fund Type</u>	Fund Balance/ Equity as Previously Reported at 6/30/2002	Adjustments	Adjusted Balances at 7/1/2002
General	\$409,311	\$206,436	\$615,747
Special Revenue	125,190	7,796	132,986
Debt Service	21,071	(10,826)	10,245
Capital Projects	7,632,408	(13,307)	7,619,101
Enterprise	84,935	(833)	84,102
Internal Service Fund	-	100	100
Expendable Trust	772	-	772
Agency	-	23,705	23,705

**NOTE 4 – CASH AND INVESTMENTS**

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

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

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

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

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

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

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

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests 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 School 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 on Hand:* At year end, the District had \$18 in undeposited cash on hand.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the District's deposits was \$3,743,352 and the bank balance was \$3,804,988. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,704,988 was covered by securities held by the pledging financial institution's trust department in the District's name.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

*Investments:* The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which 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 or agent but not in the District's name. The money market mutual fund is not categorized because it is not evidenced by securities that exist in physical or book entry form.

	Risk Category	Fair Value
U.S. Government Securities	Category 3	\$1,060,405
Common Stock	Category 1	600
Money Market Mutual Fund	Not Categorized	398,337
Total Investments		\$1,459,342

**NOTE 5 – PROPERTY TAXES**

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2002.

Real property taxes become a lien on all nonexempt real property located in the District on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended June 30, 2003, was \$48.44 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$32.8582 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$40.8348 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended June 30, 2003, was \$48.44 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 2003 taxes were collected are:

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$25,649,650	90.28%	\$26,542,550	90.52%
Public Utility	1,397,860	4.92%	1,417,820	4.83%
Tangible Personal Property	1,362,385	4.80%	1,362,385	4.65%
Total Assessed Value	<u>\$28,409,895</u>	<u>100.00%</u>	<u>\$29,322,755</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.44		\$48.44	

The Putnam County Treasurer collects property tax on behalf of all taxing districts within the District. The Putnam County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the District.

**NOTE 6 – RISK MANAGEMENT**

The District is a member of the Ohio School Risk Sharing Authority, (the Pool). The pool assumes the risk of loss up to the limits of the District's policy. The pool covers the following risks:

- General Liability;
- Educators' Legal Liability;
- Automobile Liability;
- Automobile Physical Damage;
- Property-including inland marine,  
Miscellaneous equipment,  
And automobile physical damage-  
Catastrophic coverage;
- Crime Cover  
Employee dishonesty including  
Faithful performance of duty  
Forgery or alteration  
Computer fraud  
Theft, disappearance and  
Destruction;
- Stop Gap Employers Liability Protection  
Coverage Summary;
- Equipment Breakdown Coverage.

**NOTE 7 – RETIREMENT SYSTEMS**

Certified teachers employed by the District participate in the State Teachers Retirement System of Ohio (STRS). The District's official and all other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 9.30 percent of their wages and the District contributed an amount equal to 14.00 percent of participants' gross salaries. SERS members contributed 9.00 percent of their wages and the District contributed an amount equal to 14.00 percent for of participants' gross salaries. The District has paid all contributions required through June 30, 2003.

**NOTE 8 – DEBT OBLIGATIONS**

Debt outstanding at June 30, 2003 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$2,270,000	5.99%
General Obligation Notes	72,500	4.95%
Capital Lease	23,806	2.03%
Total	\$2,366,306	

The general obligation bonds represent the District's portion of an Ohio School Facilities Building Project. The bonds were issued during fiscal year 2001 fiscal year, with final maturity in 2003. The full faith and credit of the District is pledged for repayment and will be repaid with taxes assessed on all property within the District.

The general obligation note was issued to provide funds to the District until a certificate of deposit held by the District matures. The note was issued March 14, 2003, with final maturity of December 11, 2003.

The capital lease is for the lease of copiers and will be paid from the capital projects funds.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending June 30:	General Obligation Bonds	General Obligation Notes	Capital Lease
2004	\$192,236	\$73,760	\$7,140
2005	192,642		7,140
2006	191,838		7,140
2007	192,795		4,760
2008	192,482		
2009 – 2013	961,045		
2014 – 2018	955,402		
2019 – 2023	950,795		
2024	118,444		
Total	\$3,947,679	\$73,760	\$26,180

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 9 – CONTRACTUALLY ASSUMED OBLIGATIONS**

At June 30, 2003, the District had the following contractual commitments in the Capital Project Fund for the Classroom Facilities Project:

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
New Pre-K - 12 Building	Fanning/Howey Associates	\$105,250
	RTBM	103,517
	All-Purpose Contracting, Inc.	38,927
	Lima Contracting Company, Inc.	2,223,275
	Ohio Plumbing & Electrical, Inc.	325,496
	Shambaugh & Son, L.P.	93,700
	Sollman Electric Co.	540,770
	Folding Equipment Company	179,288
	Universal Custom Millwork, Inc.	449,170
	Bushong Restaurant Equipment, Inc.	187,575
	Regal Plumbing & Heating Company	235,756
	NuWave Technology	85,800
Total outstanding contractual commitments as of June 30, 2003		<u><u>\$4,568,524</u></u>

At June 30, 2003, the District had \$201,367 being held in escrow for construction contracts that is not included above. After June 30, 2003, the District entered into additional contracts relating to the new building in the amount of \$957,483.

**NOTE 10 - SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2003.

	<u>Textbooks</u>	<u>Acquisition</u>	<u>Totals</u>
Set-Aside Cash Balance as of June 30, 2002	\$13,867	\$9,263	\$23,130
Current Year Set-aside Requirement	57,125	57,125	114,250
Current Year Offsets	-	(45,010)	(45,010)
Qualifying Disbursements	(55,516)	(21,378)	(76,894)
Set-aside Cash Balance as of June 30, 2003	<u>\$15,476</u>		15,476
Amount restricted for bus purchases			10,000
Total Restricted Assets			<u><u>\$25,476</u></u>



**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 11- 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Jennings Local School District  
Putnam County  
655 N. Water Street, P.O. Box 98  
Fort Jennings, Ohio 45844-0098

To the Board of Education:

We have audited the financial statements of Jennings Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 21, 2003, in which we noted that the District prepares its financial statements on the basis of accounting other than that prescribed by Ohio Administrative Code § 117-2-3(B). 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.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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.

Jennings Local School District  
Putnam County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit/finance committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 21, 2003

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Administrative Code §117-2-3(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken. We recommend the District prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

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**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

**JENNINGS LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 18, 2003**