



**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2004**



**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  
1 Musketeer Drive, P.O. Box 98  
Fort Jennings, Ohio 45844-0098

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jennings Local School District, Putnam County (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (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 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jennings Local School District, Putnam County, as of June 30, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended June 30, 2004, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

January 5, 2006

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

UNAUDITED

This discussion and analysis of the Jennings Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2004, within the limitations of the District's Modified Cash Basis of Accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$4,226,770, or 82% percent, a significant change from the prior year. This was caused by the progress of the new Pre K-12 Building, which was in the height of construction. The General Fund also realized increased costs in 2004; however, general cost increases affected most funds.

The District's general receipts totaled \$3,030,911, those being primarily property taxes and unrestricted state entitlements, were 64 percent of the total cash received during the fiscal year. Dependence on these two revenue sources is significant.

The district is building a new Pre K-12 School Building at a projected cost of 15.4 million dollars. This building is projected for completion during the summer of 2004, with a large portion of the work completed and expensed out in 2004.

**Using this Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's Modified Cash Basis of Accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater 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 non-major funds presented in total in a single column. For Jennings Local School District, the General Fund and the Building Fund are the most significant funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. The District has elected to present its financial statements on a modified cash basis of accounting. Under the District's modified cash comprehensive basis of accounting, receipts and disbursements and the related assets and liabilities are

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
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recorded when they result in cash transactions. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004, within the limitations of the modified cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may include, but not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and required educational programs.

In the statement of net assets and the statement of activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, food services, extracurricular activities, and capital outlay disbursements.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The funds of the District are split into two categories: governmental and fiduciary. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Building Fund.

Governmental Funds - Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's



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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

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programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the District's programs.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2004 compared to fiscal year 2003 on another comprehensive basis of accounting.

**Table 1  
Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets:</b>		
Cash and Cash Equivalents	949,635	5,176,405
<b>Net Assets:</b>		
Restricted	748,449	4,939,830
Unrestricted	201,186	236,575
Total Net Assets	949,635	5,176,405

As mentioned previously, net assets of governmental activities decreased \$4,226,770 or 82 percent during fiscal year 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- The Building Project was in the height of construction, with contracts nearing completion, the balance in the building fund was shrinking.
- Increase in salaries of 3.25% based on current negotiated agreements.
- Health benefits costs increased by 15%.

Table 2 reflects the changes in net assets in 2004. Since the District did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
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**Table 2  
Changes In Net Assets**

	Governmental Activities 2004
	2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$409,607
Operating Grants and Contributions	163,890
Capital Grants and Contributions	1,169,235
Total Program Receipts	1,742,732
General Receipts:	
Property Taxes Levied for General Purposes	659,289
Property Taxes Levied for Classroom Maintenance	13,162
Property Taxes Levied for Debt Service	210,955
Property Taxes Levied for Capital Outlay	33,218
Sale of Capital Assets	1,115
Grants and Entitlements Not Restricted to Specific Programs	2,040,186
Interest	37,027
Miscellaneous	35,959
Total General Receipts	3,030,911
Total Receipts	4,773,643
Disbursements:	
Instruction:	
Regular	1,965,273
Special	226,434
Vocational	51,623
Other	116,873
Support Services:	
Pupil	56,644
Instructional Staff	112,634
Board of Education	17,177
Administration	369,553
Fiscal	131,684
Operation and Maintenance of Plant	328,958
Pupil Transportation	68,533
Central	745
Food Services	117,694
Extracurricular Activities	245,675
Capital Outlay	4,874,033
Debt Service	316,880
Total Disbursements	9,000,413
Decrease in Net Assets	(4,226,770)
Net Assets, July 1	5,176,405
Net Assets, June 30	\$949,635

**JENNINGS LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
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Program receipts represent 36 percent of total receipts and are primarily comprised of restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, food service sales and Ohio School Facilities Building Project Receipts.

As stated previously, general receipts represent 64 percent of the District's total receipts, and of this amount, over 67 percent is the result of unrestricted grants and entitlements which primarily represents State foundation resources. Property taxes basically make up the balance of the District's general receipts (30 percent). Other receipts, such as interest, donations, and rent are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 26 percent of all governmental disbursement. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 3 percent of governmental disbursements. Capital Outlay represents over 54 percent of all governmental disbursements. The District is in the midst of building a new Pre K-12 Building, with the projected completion in the summer of 2004. Therefore, only 33 percent of the District's disbursements are related to the primary functions of maintaining facilities and delivering education.

**Governmental Activities**

If you look at the Statement of Activities on page 12, you will see that the first column lists the descriptions of the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay and instruction, which account for 54 and 26 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by state unrestricted entitlements and local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**JENNINGS LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

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Table 3  
**Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Current:		
Instruction:		
Regular	\$1,965,273	\$1,765,473
Special	226,434	98,567
Vocational	51,623	37,184
Other	116,873	116,873
Support Services:		
Pupil	56,644	56,644
Instructional Staff	112,634	112,634
Board of Education	17,177	17,177
Administration	369,553	369,553
Fiscal	131,684	131,684
Operation and Maintenance of Plant	328,958	328,958
Pupil Transportation	68,533	63,874
Central	745	745
Operation of Food Services	117,694	4,096
Extracurricular Activities	245,675	132,541
Capital Outlay	4,874,033	3,704,798
Debt Service	316,880	316,880
Total Disbursements	<u>\$9,000,413</u>	<u>\$7,257,681</u>

The dependence upon property tax receipts and unrestricted state entitlements is apparent as over 85 percent of instructional activities are supported through these general receipts. However, it should be noted that special instruction activities are largely provided for through program receipts, by 57 percent. This is the result of operating grants and contributions restricted for special instruction purposes.

Over 96 percent of food services were covered by program receipts for fiscal year 2004. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Over 46 percent of extracurricular activities disbursements are covered by program receipts. This is the result of music and athletic fees, ticket sales and gate receipts.

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PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

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**The Government's Funds**

The District's governmental funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts of \$4,772,928 and disbursements of \$9,000,413. The greatest change within governmental funds occurred within the Building Fund. This was as a result of the building project being in the height of construction, with contracts nearing completion; the balance in the building fund was shrinking.

General Fund receipts were less than disbursements by \$71,475 indicating that the General Fund is in a deficit spending situation. The board and administration are considering the placement of a levy on the ballot in the very near future.

**General Fund Budgeting Highlights**

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

During fiscal year 2004, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$2,615,347, were below actual receipts, in the amount of \$298,744. The difference between final budgeted receipts and actual receipts was 11 percent. This was the result of higher than anticipated intergovernmental revenues.

Final disbursements were budgeted at \$3,177,474 while actual disbursements were \$3,085,012. This change was not material.

**Capital Assets and Debt Administration**

**Capital Assets**

The District's capital assets are not reflected in the other comprehensive basis of accounting statements, however the District does track capital assets through the State provided software program.

**Debt**

At June 30, 2004, the District's outstanding debt included general obligation bonds, in the amount of \$2,170,000, issued for the building of a new PreK-12 Building. For further information regarding the District's debt, refer to Note 10 to the basic financial statements.

**Current Issues**

The challenge for all school districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes and has very little industry to support the tax base. The District's five year forecast predicts a deficit for 2007; therefore, the finance committee and the administration are considering the placement of a property tax levy on the ballot in November of 2004.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

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**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Valerie A. Maag, Treasurer, Jennings Local School District, P. O. Box 98, Ft. Jennings, Ohio 45844.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Net Assets - Modified Cash Basis  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$949,635</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$548,291
Debt Service	8,091
Set Asides	26
Other Purposes	192,041
Unrestricted	<u>201,186</u>
<i>Total Net Assets</i>	<u><u>\$949,635</u></u>

*See accompanying notes to the basic financial statements*

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2004

		Program Cash Receipts			Net (Disbursements Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$1,965,273	\$199,800			(\$1,765,473)
Special	226,434		\$127,867		(98,567)
Vocational	51,623		14,439		(37,184)
Other	116,873				(116,873)
Support Services:					
Pupil	56,644				(56,644)
Instructional Staff	112,634				(112,634)
Board of Education	17,177				(17,177)
Administration	369,553				(369,553)
Fiscal	131,684				(131,684)
Operation and Maintenance of Plant	328,958				(328,958)
Pupil Transportation	68,533		4,659		(63,874)
Central	745				(745)
Operation of Food Services	117,694	96,673	16,925		(4,096)
Extracurricular Activities	245,675	113,134			(132,541)
Capital Outlay	4,874,033			\$1,169,235	(3,704,798)
Debt Service	316,880				(316,880)
<i>Total Governmental Activities</i>	<u>\$9,000,413</u>	<u>\$409,607</u>	<u>\$163,890</u>	<u>\$1,169,235</u>	<u>(7,257,681)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					659,289
Debt Service					210,955
Capital Outlay					33,218
Special Revenue - OSFC Maintenance					13,162
Grants and Entitlements not Restricted to Specific Programs					2,040,186
Sale of Capital Assets					1,115
Interest					37,027
Miscellaneous					35,959
<i>Total General Receipts</i>					<u>3,030,911</u>
Change in Net Assets					(4,226,770)
<i>Net Assets Beginning of Year</i>					<u>5,176,405</u>
<i>Net Assets End of Year</i>					<u>\$949,635</u>

See accompanying notes to the basic financial statements



**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Assets and Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Government Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$201,186	\$512,307	\$221,457	\$934,950
Restricted Cash and Cash Equivalents	14,685			14,685
<i>Total Assets</i>	<u>\$215,871</u>	<u>\$512,307</u>	<u>\$221,457</u>	<u>\$949,635</u>
<b>Fund Balances</b>				
Reserved for:				
Encumbrances	\$99,446	\$650,349	\$55,990	\$805,785
Bus Purchases	14,659			14,659
Textbooks	6			6
Unreserved:				
Undesignated (Deficit), Reported in				
General Fund	101,760			101,760
Special Revenue Funds			131,771	131,771
Debt Service Fund			8,091	8,091
Capital Projects Funds		(138,042)	25,605	(112,437)
<i>Total Fund Balances</i>	<u>\$215,871</u>	<u>\$512,307</u>	<u>\$221,457</u>	<u>\$949,635</u>

*See accompanying notes to the basic financial statements*

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$659,289		\$257,335	\$916,624
Intergovernmental	2,024,044	\$1,156,310	192,957	3,373,311
Interest	10,834	25,601	592	37,027
Tuition and Fees	199,800			199,800
Extracurricular Activities			113,134	113,134
Charges for Services			96,673	96,673
Miscellaneous	20,124	454	15,781	36,359
<i>Total Receipts</i>	<u>2,914,091</u>	<u>1,182,365</u>	<u>676,472</u>	<u>4,772,928</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	1,404,870	457,887	102,516	1,965,273
Special	201,647		24,787	226,434
Vocational	51,623			51,623
Other	116,873			116,873
Support Services:				
Pupil	40,916		15,728	56,644
Instructional Staff	92,094		20,540	112,634
Board of Education	17,177			17,177
Administration	358,432		11,121	369,553
Fiscal	123,646	242	7,796	131,684
Operation and Maintenance of Plant	291,067	28,777	9,114	328,958
Pupil Transportation	68,533			68,533
Central	745			745
Operation of Food Services			117,694	117,694
Extracurricular Activities	81,829		163,846	245,675
Capital Outlay	60,999	4,794,373	18,661	4,874,033
Debt Service:				
Principal Retirement	72,500		106,033	178,533
Interest and Fiscal Charges	2,615		135,732	138,347
<i>Total Disbursements</i>	<u>2,985,566</u>	<u>5,281,279</u>	<u>733,568</u>	<u>9,000,413</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(71,475)</u>	<u>(4,098,914)</u>	<u>(57,096)</u>	<u>(4,227,485)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	1,115			1,115
Transfers In	55,000		19,088	74,088
Transfers Out	(19,088)	(55,000)		(74,088)
Advances In			11,726	11,726
Advances Out	(11,726)			(11,726)
Other Financing Uses	(6)		(394)	(400)
<i>Total Other Financing Sources (Uses)</i>	<u>25,295</u>	<u>(55,000)</u>	<u>30,420</u>	<u>715</u>
<i>Net Change in Fund Balances</i>	<u>(46,180)</u>	<u>(4,153,914)</u>	<u>(26,676)</u>	<u>(4,226,770)</u>
<i>Fund Balances Beginning of Year</i>	<u>262,051</u>	<u>4,666,221</u>	<u>248,133</u>	<u>5,176,405</u>
<i>Fund Balances End of Year</i>	<u>\$215,871</u>	<u>\$512,307</u>	<u>\$221,457</u>	<u>\$949,635</u>

See accompanying notes to the basic financial statements

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in Fund Balance  
Budget and Actual Comparison - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$654,940	\$663,665	\$659,289	(\$4,376)
Intergovernmental	1,633,990	1,767,466	2,024,044	256,578
Interest	21,619	21,619	10,834	(10,785)
Tuition and Fees	135,855	152,404	199,800	47,396
Miscellaneous	10,193	10,193	20,124	9,931
<i>Total receipts</i>	2,456,597	2,615,347	2,914,091	298,744
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	1,321,200	1,339,904	1,408,210	(68,306)
Special	194,740	210,825	211,647	(822)
Vocational	48,647	43,228	51,888	(8,660)
Other	94,627	90,109	116,873	(26,764)
Support Services:				
Pupil	39,016	39,745	41,354	(1,609)
Instructional Staff	91,101	86,447	93,214	(6,767)
Board of Education	35,088	27,935	30,010	(2,075)
Administration	358,946	349,925	358,804	(8,879)
Fiscal	109,440	141,197	123,818	17,379
Operation and Maintenance of Plant	268,660	394,278	322,874	71,404
Pupil Transportation	80,161	131,374	81,126	50,248
Central	942	942	781	161
Extracurricular Activities	80,965	84,086	82,786	1,300
Capital Outlay	38,421	148,250	86,512	61,738
Debt Service:				
Principal Retirement	72,500	85,330	72,500	12,830
Interest and Fiscal Charges	1,200	3,899	2,615	1,284
<i>Total Disbursements</i>	2,835,654	3,177,474	3,085,012	92,462
<i>Excess of Disbursements Over Receipts</i>	(379,057)	(562,127)	(170,921)	391,206
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets			1,115	1,115
Notes Issued	92,359	92,359		(92,359)
Transfers In	251,449	251,449	55,000	(196,449)
Transfers Out	(21,000)	(36,838)	(19,088)	17,750
Advances In	4,246	4,246		(4,246)
Advances Out	(1,000)	(11,132)	(11,726)	(594)
Other Financing Uses	(498)	(8)	(6)	2
<i>Total Other Financing Sources (Uses)</i>	325,556	300,076	25,295	(274,781)
<i>Net Change in Fund Balance</i>	(53,501)	(262,051)	(145,626)	116,425
<i>Fund Balance Beginning of Year</i>	208,550	208,550	208,550	
Prior Year Encumbrances Appropriated	53,501	53,501	53,501	
<i>Fund Balance End of Year</i>	\$208,550	\$0	\$116,425	\$116,425

See accompanying notes to the basic financial statements

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2004

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$1,282</u>	<u>\$27,146</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$1,282</u>	
Held for Student Activities		<u>\$27,146</u>

*See accompanying notes to the basic financial statements*

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Changes in Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
For the Year Ended June 30, 2004

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$4
Contributions	<u>500</u>
<i>Total Additions</i>	504
Net Assets - Beginning of Year	<u>778</u>
Net Assets - End of Year	<u><u>\$1,282</u></u>

*See accompanying notes to the basic financial statements*

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**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 1 - Description of the School District and Reporting Entity**

The Jennings Local School District (The District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 14 classified employees, 31 certificated full-time personnel, and 4 administrators who provide services to 460 students and other community members.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Jennings Local School District, this includes general operations, food service, community services, and student-related activities.

Component units are legally separate organizations for which the District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

Under the modified-cash basis of accounting, the Government does not report assets for equity interests in joint ventures. The District has no joint ventures.

The District participates in 2 jointly governed organizations and 3 public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 7 and 16 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:  
Vantage Career Center  
Northwest Ohio Area Computer Services Cooperative

Public Entity Risk Pool:  
Putnam County School Insurance Group  
OSBA Workers' Compensation Group Rating Program  
Schools of Ohio Risk Sharing Authority

**Note 2 - Summary of Significant Accounting Policies**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as assets, valued at cost.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

**A. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

**Governmental:** The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

**General Fund** The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

**Building Fund** The building fund accounts for resources received from a local bond issue and the Ohio School Facilities Commission restricted to constructing and equipping a new PreK-12 Building.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds:** 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 not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

**B. Basis of Presentation**

The District's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

**Government-wide Financial Statement of Activities:** This statement displays information about the District as a whole, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified-cash basis or draws from the District's general receipts.



**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Fund Financial Statements:** Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

**C. Cash, Cash Equivalents and Investments**

The District deposits and invests cash from all funds in a common pool. The financial statements present each fund's share of interest in the pool as *equity in pooled cash and cash equivalents* on the financial statements.

The District's investments were limited to telephone company stock. The District values investments at market value. For presentation on the financial statements, the District classifies investments of the cash management pool as cash equivalents.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2004 was \$10,834, including \$5,670 assigned from other District funds.

**D. Restricted Assets**

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash in the General Fund include amounts State statute requires to be set aside for textbooks and instructional materials and amounts restricted for bus purchases.

**E. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**F. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified-cash basis of accounting.

**H. Long-term Obligations**

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

***I. Fund Balance Reserves***

The District reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has fund balance reserves for encumbrances, school bus purchases and instructional materials and textbooks.

***J. Net Assets***

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

***K. Interfund Activity***

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. Note 6 lists unpaid advances receivable and payable.

***L. 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 within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2004.

***M. Budgetary Data***

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund/cost center as its legal level of control.

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$99,446 in the general fund.

**Note 4- Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the District 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 District has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

6. 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;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the District by the financial institution as security for repayment.

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.

**Undeposited Cash:** At year-end, the District had \$17 in undeposited cash on hand, included as part of *Equity in pooled cash and cash equivalents*.

**Deposits:** At year-end, the carrying amount of the District's deposits was \$977,446 and the bank balance was \$1,248,826. \$100,000 of the bank balance was covered by federal depository insurance and \$1,148,826 was covered by securities held by the pledging financial institution's trust department in the District's name.

**Investments:** Investments to indicate the level of counterparty credit risk the District assumed at year end. Category one includes investments insured or registered or for which District or its agent holds the securities in the District's name. Category two includes uninsured and unregistered investments for which the counterparty's trust department or an agent holds securities in the District's name. Category three includes uninsured and unregistered investments for which the counterparty or its trust department or agent holds securities not in the District's name.

The District held stock which is a Category 1 investment. As of June 30, 2004, the carrying amount and market value of the stock was \$600.

#### **Note 5 - 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.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

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, 2003, 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.

The District receives property taxes from Putnam 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 the tax bills are sent.

The amount available as an advance at June 30, 2004 was \$41,354 in the general fund, \$14,082 in the debt service fund, \$2,111 in the permanent improvement capital projects fund and \$879 in the Ohio School Facilities Maintenance Fund.

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

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$26,542,550	90.52%	\$27,271,790	90.65%
Public Utility	1,417,820	4.83%	1,386,410	4.61%
Tangible Personal Property	1,362,385	4.65%	1,426,181	4.74%
Total Assessed Value	<u>\$29,322,755</u>	<u>100.00%</u>	<u>\$30,084,381</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.44		\$48.44	

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 6 - Interfund Balances**

Unpaid interfund cash advances at June 30, 2004 were as follows:

	Interfund Receivable
	General
Interfund Payable	
<i>Governmental Activities</i>	
Yearbook (300-9680)	\$7,466
Summer Intervention (460-0000)	3,825
Student Intervention (460-9004)	3,506
<i>Total</i>	\$14,797

The interfund transactions between the general and nonmajor special revenue funds are due to the timing of receipts and the anticipation of funding for Summer Intervention.

**Note 7 - Risk Management**

**RISK MANAGEMENT**

**A. Risk Pool Membership**

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 65 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the (Jennings Local School District's) policy. SORSA covers the following risks:

- General Liability;
- Commercial Liability
- Employee Benefits Liability
- Vehicle
- School Leaders Errors and Omissions
- Sexual Misconduct
- Commercial Umbrella

The District contributes to the funding, operating and maintaining of the SORSA joint self insurance pool. The district's contributions cover deductible losses, loss fund contributions, insurance costs, and administration costs.

The District paid \$25,856 in premiums to the pool for coverage for fiscal year 2004 coverage. Of this premium, \$15,601 was paid in fiscal 2003 and \$10,255 was paid in fiscal 2004 to bring the coverage ending date to June 30. Future years premiums paid to the pool will cover the current fiscal year.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.  
OSBA Building  
8050 North High Street  
Columbus, Ohio 43235-6483

***B. Employee Medical Benefits***

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Sky Trust. The District converted its fully-insured medical insurance program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

***C. Workers' Compensation***

For fiscal year 2004 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria.

**Note 8 – Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a financial report, obtainable by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members must contribute 10 percent of their annual covered salary and the District must contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution funds pension obligations with the remainder used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$31,827, \$26,600 and \$17,583 respectively; 73.01 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

***B. State Teachers Retirement System***

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a financial report, obtainable by writing to STRS Ohio, 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$188,410, \$180,693, and \$126,996 respectively; 91.62 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 9 - Postemployment Benefits**

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



**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$14,493 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the 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 \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$22,421.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 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. SERS has approximately 62,000 participants currently receiving health care benefits.

**Note 10 – Debt**

The changes in the District's debt obligations during the year consist of the following:

	Principal Outstanding		Principal Outstanding	Amount Due in One Year
	6/30/2003	Reductions	6/30/2004	
<b>Governmental Activities</b>				
General Obligation Bonds:				
New Pre K-12 Building	\$2,270,000	\$100,000	\$2,170,000	\$62,000
General Obligation Note	72,500	72,500		
Capital lease	23,806	6,033	17,773	6,367
<b>Total</b>	<b>\$2,366,306</b>	<b>\$178,533</b>	<b>\$2,187,773</b>	<b>\$68,367</b>

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

General obligation bonds represent the District's portion of an Ohio School Facilities Building Project. The Bonds were issued at a rate of 5.99 percent during fiscal year 2001, with final maturity in fiscal year 2024. 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.

At June 30, 2004 the District's overall legal debt margin was \$537,594 with an unvoted debt margin of \$30,084.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2005	\$62,000	\$128,126	\$190,126
2006	65,000	124,322	\$189,322
2007	70,000	120,279	\$190,279
2008	74,000	115,966	\$189,966
2009	78,000	111,414	\$189,414
2010 – 2014	470,000	478,122	\$948,122
2015 – 2019	626,000	315,374	\$941,374
2020 – 2024	725,000	100,782	\$825,782
Total	\$2,170,000	\$1,494,385	\$3,664,385

**Note 11 – Leases**

The District leases copiers under a capital lease. The District disbursed \$7,140 to pay lease costs for the year ended June 30, 2004. Future lease payments are as follows:

Year ending June 30:	Amount
2005	\$7,140
2006	7,140
2007	4,760
Total minimum payments	19,040
Less: Interest	(1,267)
Present value of minimum payments	\$17,773

**Note 12 - Set-Aside Calculations**

State statute annually requires the District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2003	\$0	\$15,476
Current year set-aside requirements	61,208	61,208
Current year off-sets	(46,380)	
Qualifying Disbursements	(83,892)	(76,658)
Total	(\$69,064)	\$26
Less: Encumbrances at June 30, 2004		\$20
Set-aside Reserve Balance as of June 30, 2004	\$0	\$6

The District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. This amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 13-Interfund Transfers**

Interfund cash transfers for the year ended June 30, 2004 were as follows:

	<b>Transfer to:</b>		
<b>Transfer from:</b>	General	EMIS Fund	Total
<i>Governmental Activities</i>			
General Fund		\$19,088	\$19,088
Building Fund (010 9000)	\$55,000		55,000
<i>Total</i>	\$55,000	\$19,088	\$74,088

The District transferred cash to the EMIS fund due to a deficit in the State's funding of this mandate. The transfer from the Building fund to the General fund is a reimbursement for amounts paid from the General fund relating to the building project.

**Note 14 – Contractual Commitments**

At June 30, 2004 the District had \$648,112 in contractual commitments for various improvements within the District.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

Purpose	Contractor	Amount
New Pre-K - 12 Building	Fanning/Howey Associates	\$788,000
	RTBM	868,210
	All-Purpose Contracting, Inc.	716,801
	Lima Contracting Company, Inc.	6,558,407
	Ohio Plumbing & Electrical, Inc.	1,006,104
	Shambaugh & Son, L.P.	229,381
	Sollman Electric Co.	1,380,246
	Folding Equipment Company	189,257
	Universal Custom Millwork, Inc.	483,865
	Bushong Restaurant Equipment, Inc.	281,148
	Regal	1,519,171
	NuWave Technology	93,599
	Martin Public Seating	112,139
	VSC	162,038
	Boise	128,789
	Pomeroy	61,972
Dads	32,215	
HS Gym/Music Wing Renovation	Total Environmental	69,125
Total contractual commitments		14,680,467
Less amount paid as of June 30, 2004		(14,032,355)
Total outstanding contractual commitments as of June 30, 2004		<u>\$648,112</u>

**Note 15 - Contingencies**

**A. Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2004 will not have a material adverse effect on the District.

**B. Litigation**

The District is not a party to any legal proceedings.

**Note 16 – Jointly Governed Organizations**

**Vantage Career Center**

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information contact the Vantage Career Center, Lori Davis, Treasurer, 818 N. Franklin St., Van Wert, OH 45891-1304.

**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Northwest Ohio Area Computer Service Cooperative**

The District is a participant in the Northwest Ohio Area Computer Service Cooperative (NOACSC), a not-for-profit computer service organization. NOACSC is an association of public Districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Van Wert and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and electronic equipment to administrative and instructional functions among member districts.

The governing board of NOACSC consists of two representatives each county elected by majority vote of all charter member Districts within each county and one representative from the fiscal agent District. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 S. Main St., Lima, OH 45804.

**Note 17 – State School Funding Decision**

On December 11, 2003, 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 18 – Subsequent Events**

In May 2005 District residents approved  $\frac{3}{4}$ % income tax levy for general operations, with collections to begin in January, 2006.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Jennings Local School District  
Putnam County  
1 Musketeer Drive, P.O. Box 98  
Fort Jennings, Ohio 45844-0098

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jennings Local School District, Putnam County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 5, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed

Jennings Local School District  
Putnam County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by Government Auditing Standards.

Page 2

an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the District's management dated January 5, 2006, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

January 5, 2006



**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2004**

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

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code §117-2-03(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 against the District.

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**JENNINGS LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2003-001	<b>OAC §117-2-3(B)</b> reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2004-001.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
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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  
FEBRUARY 9, 2006**