



**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 general-purpose financial statements of Jennings Local School District, Putnam County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jennings Local School District, Putnam County, as of June 30, 2002, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 21, 2003

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**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
For the Fiscal Year Ended June 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 550,887	\$ 132,986	\$ 10,245	\$ 1,676,086
Cash and Cash Equivalents:				
With Fiscal Agents	-	-	296	-
Investments	-	-	-	5,944,423
Receivables:				
Property and Other Local Taxes	633,335	12,595	201,705	31,899
Accounts	3,864	300	-	-
Intergovernmental	354	-	6	5,437,847
Accrued Interest	814	-	-	36,918
Interfund Receivable	2,051	-	-	-
Inventory Held for Resale	-	-	-	-
Prepaid Items	23,455	-	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,960	-	-	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	-	-	-	-
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	-	-	-	-
Amount to be Provided from General Government Resources	-	-	-	-
Total Assets and Other Debits	<u>\$ 1,279,720</u>	<u>\$ 145,881</u>	<u>\$ 212,252</u>	<u>\$ 13,127,173</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 84,102	\$ 24,478	\$ -	\$ -	\$ 2,478,784
-	-	-	-	296
-	-	-	-	5,944,423
-	-	-	-	879,534
-	230	-	-	4,394
-	-	-	-	5,438,207
-	-	-	-	37,732
-	-	-	-	2,051
2,803	-	-	-	2,803
86	-	-	-	23,541
-	-	-	-	64,960
15,151	-	4,212,624	-	4,227,775
-	-	-	21,071	21,071
-	-	-	2,585,701	2,585,701
\$ 102,142	\$ 24,708	\$ 4,212,624	\$ 2,606,772	\$ 21,711,272

(Continued)

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$ 637	\$ 3,754	\$ -	\$ 26,684
Accrued Wages and Benefits	195,828	2,497	-	-
Compensated Absences Payable	2,173	-	-	-
Interfund Payable	-	2,051	-	-
Intergovernmental Payable	71,173	469	-	-
Deferred Revenue	600,598	11,920	190,885	5,468,081
Due to Students	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Lease Payable	-	-	-	-
Matured Interest Payable	-	-	296	-
	870,409	20,691	191,181	5,494,765
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	103,422	20,952	-	11,614,689
Reserved for Debt Service Principal	-	-	10,251	-
Reserved for Property Taxes	32,737	675	10,820	1,665
Reserved for Textbooks and Instructional Material	13,867	-	-	-
Reserved for Capital Improvements	9,263	-	-	-
Reserved for Bus Purchase	41,830	-	-	-
Unreserved, Undesignated	208,192	103,563	-	(3,983,946)
	409,311	125,190	21,071	7,632,408
Total Liabilities, Fund Equity and Other Credits	\$ 1,279,720	\$ 145,881	\$ 212,252	\$ 13,127,173

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ -	\$ -	\$ -	\$ -	\$ 31,075
4,724	-	-	-	203,049
3,001	-	-	207,897	213,071
-	-	-	-	2,051
7,160	-	-	10,353	89,155
2,322	-	-	-	6,273,806
-	23,936	-	-	23,936
-	-	-	2,359,000	2,359,000
-	-	-	29,522	29,522
-	-	-	-	296
<u>17,207</u>	<u>23,936</u>	<u>-</u>	<u>2,606,772</u>	<u>9,224,961</u>
-	-	4,212,624	-	4,212,624
84,935	-	-	-	84,935
-	-	-	-	11,739,063
-	-	-	-	10,251
-	-	-	-	45,897
-	-	-	-	13,867
-	-	-	-	9,263
-	-	-	-	41,830
-	772	-	-	(3,671,419)
<u>84,935</u>	<u>772</u>	<u>4,212,624</u>	<u>-</u>	<u>12,486,311</u>
<u>\$ 102,142</u>	<u>\$ 24,708</u>	<u>\$ 4,212,624</u>	<u>\$ 2,606,772</u>	<u>\$ 21,711,272</u>

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Property and Other Local Taxes	\$ 624,276	\$ 12,466
Intergovernmental	1,827,072	62,034
Interest	37,603	120
Tuition and Fees	57,444	-
Rent	3,301	830
Extracurricular Activities	-	109,001
Gifts and Donations	1,134	11,431
Customer Services	150	-
Miscellaneous	4,730	6,580
Total Revenues	2,555,710	202,462
Expenditures:		
Current:		
Instruction:		
Regular	1,283,867	15,922
Special	203,095	34,744
Vocational	55,533	-
Other	2,883	-
Support services:		
Pupils	36,155	14,065
Instructional Staff	89,307	7,224
Board of Education	23,665	446
Administration	347,127	8,822
Fiscal	113,375	317
Business	5,592	-
Operation and Maintenance of Plant	241,009	-
Pupil Transportation	61,555	16
Central	2,297	-
Extracurricular activities	77,345	128,772
Capital Outlay	3,270	-
Debt Service:		
Debt Service - Principal	7,735	-
Debt Service - Interest	-	-
Total Expenditures	2,553,810	210,328
Excess of Revenues Over (Under) Expenditures	1,900	(7,866)
Other Financing Sources (Uses):		
Operating Transfers In	31,587	17,124
Inception of Capital Lease	-	-
Operating Transfers Out	(82,169)	-
Total Other Financing Sources (Uses)	(50,582)	17,124
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(48,682)	9,258
Fund Balance at Beginning of Year	457,993	115,932
Fund Balance at End of Year	\$ 409,311	\$ 125,190

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 192,312	\$ 31,469	\$ -	\$ 860,523
26,348	5,653,017	-	7,568,471
-	213,493	12	251,228
-	-	-	57,444
-	-	-	4,131
-	-	-	109,001
-	1,919	-	14,484
-	-	-	150
-	-	-	11,310
<u>218,660</u>	<u>5,899,898</u>	<u>12</u>	<u>8,876,742</u>
-	16,418	-	1,316,207
-	-	-	237,839
-	-	-	55,533
-	-	-	2,883
-	-	-	50,220
-	1,502	-	98,033
-	-	-	24,111
-	359	-	356,308
4,855	1,754	-	120,301
-	-	-	5,592
-	2,698	-	243,707
-	-	-	61,571
-	-	-	2,297
-	-	-	206,117
-	1,440,308	-	1,443,578
95,000	1,697	-	104,432
145,347	683	-	146,030
<u>245,202</u>	<u>1,465,419</u>	<u>-</u>	<u>4,474,759</u>
<u>(26,542)</u>	<u>4,434,479</u>	<u>12</u>	<u>4,401,983</u>
-	33,523	-	82,234
-	29,383	-	29,383
-	-	-	(82,169)
-	62,906	-	29,448
(26,542)	4,497,385	12	4,431,431
47,613	3,135,023	760	3,757,321
<u>\$ 21,071</u>	<u>\$ 7,632,408</u>	<u>\$ 772</u>	<u>\$ 8,188,752</u>

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Taxes	\$ 694,211	\$ 624,789	\$ (69,422)
Intergovernmental	1,788,488	1,826,718	38,230
Interest	45,000	38,304	(6,696)
Tuition and Fees	41,300	57,448	16,148
Rent	3,000	151	(2,849)
Extracurricular Activities	-	-	-
Gifts and Donations	748	1,134	386
Customer Services	100	150	50
Miscellaneous	2,000	4,915	2,915
Total Revenue	<u>2,574,847</u>	<u>2,553,609</u>	<u>(21,238)</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,315,117	1,282,889	32,228
Special	212,030	205,651	6,379
Vocational Education	76,553	55,147	21,406
Other Instruction	3,945	2,911	1,034
Support Services:			
Pupils	37,757	36,249	1,508
Instructional Staff	90,432	84,885	5,547
Board of Education	45,968	28,693	17,275
Administration	347,108	340,444	6,664
Fiscal	122,291	114,679	7,612
Business	5,959	5,592	367
Operation and Maintenance of Plant	335,891	280,293	55,598
Pupil Transportation	165,336	113,808	51,528
Central	5,584	3,688	1,896
Extracurricular Activities	86,901	77,262	9,639
Capital Outlay	314,334	16,600	297,734
Debt Service:			
Principal Retirement	8,479	7,735	744
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>3,173,685</u>	<u>2,656,526</u>	<u>517,159</u>
Excess of Revenue Over (Under) Expenditures	<u>(598,838)</u>	<u>(102,917)</u>	<u>495,921</u>
Other Financing Sources (Uses):			
Transfers-In	32,000	31,587	(413)
Proceeds from Sale of Fixed Assets	132	-	(132)
Refund of Prior Year Expenditures	11,100	11,442	342
Advances In	-	-	-
Transfers-Out	(93,523)	(82,169)	11,354
Refund of Prior Years Receipts	(18,094)	(11,428)	6,666
Advances Out	-	(2,051)	(2,051)
Total Other Financing Sources (Uses)	<u>(68,385)</u>	<u>(52,619)</u>	<u>15,766</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(667,223)</u>	<u>(155,536)</u>	<u>511,687</u>
Fund Balances at Beginning of Year	585,674	585,674	-
Prior Year Encumbrances Appropriated	81,549	81,549	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 511,687</u>	<u>\$ 511,687</u>

Special Revenue Fund			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 12,548	\$ 12,471	\$ (77)	\$ 195,601	\$ 191,428	\$ (4,173)
29,091	27,290	(1,801)	22,420	26,343	3,923
120	120	-	-	-	-
-	-	-	-	-	-
200	810	610	-	-	-
110,820	108,765	(2,055)	-	-	-
9,065	11,431	2,366	-	-	-
-	-	-	-	-	-
7,290	6,537	(753)	-	-	-
<u>169,134</u>	<u>167,424</u>	<u>(1,710)</u>	<u>218,021</u>	<u>217,771</u>	<u>(250)</u>
19,676	17,488	2,188	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,284	14,027	257	-	-	-
10,321	8,128	2,193	-	-	-
472	446	26	-	-	-
10,808	9,621	1,187	-	-	-
1,500	317	1,183	8,000	4,855	3,145
-	-	-	-	-	-
19,653	-	19,653	-	-	-
60	16	44	-	-	-
-	-	-	-	-	-
229,887	147,738	82,149	-	-	-
-	-	-	-	-	-
-	-	-	97,697	95,000	2,697
-	-	-	150,000	145,347	4,653
<u>306,661</u>	<u>197,781</u>	<u>108,880</u>	<u>255,697</u>	<u>245,202</u>	<u>10,495</u>
<u>(137,527)</u>	<u>(30,357)</u>	<u>107,170</u>	<u>(37,676)</u>	<u>(27,431)</u>	<u>10,245</u>
18,065	17,124	(941)	-	-	-
-	-	-	-	-	-
421	421	-	-	-	-
-	2,051	2,051	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>18,486</u>	<u>19,596</u>	<u>1,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
(119,041)	(10,761)	108,280	(37,676)	(27,431)	10,245
96,976	96,976	-	37,676	37,676	-
22,065	22,065	-	-	-	-
<u>\$ -</u>	<u>\$ 108,280</u>	<u>\$ 108,280</u>	<u>\$ -</u>	<u>\$ 10,245</u>	<u>\$ 10,245</u>

(Continued)

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 31,906	\$ 31,499	\$ (407)
Intergovernmental	12,185,641	5,653,017	(6,532,624)
Interest	162,700	182,451	19,751
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	1,919	1,919	-
Customer Services	-	-	-
Miscellaneous	-	-	-
Total Revenue	<u>12,382,166</u>	<u>5,868,886</u>	<u>(6,513,280)</u>
Expenditures:			
Current:			
Instruction:			
Regular	33,597	20,063	13,534
Special	-	-	-
Vocational Education	-	-	-
Other Instruction	-	-	-
Support Services:			
Pupils	-	-	-
Instructional Staff	1,502	1,502	-
Board of Education	-	-	-
Administration	-	359	(359)
Fiscal	6,980	2,626	4,354
Business	-	-	-
Operation and Maintenance of Plant	4,000	2,698	1,302
Pupil Transportation	12,052	12,052	-
Central	-	-	-
Extracurricular Activities	-	-	-
Capital Outlay	15,535,588	13,063,434	2,472,154
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>15,593,719</u>	<u>13,102,734</u>	<u>2,490,985</u>
Excess of Revenue Over (Under) Expenditures	<u>(3,211,553)</u>	<u>(7,233,848)</u>	<u>(4,022,295)</u>
Other Financing Sources (Uses):			
Transfers-In	33,500	33,523	23
Proceeds from Sale of Fixed Assets	-	-	-
Refund of Prior Year Expenditures	-	-	-
Advances In	-	-	-
Transfers-Out	-	-	-
Refund of Prior Years Receipts	-	-	-
Advances Out	-	-	-
Total Other Financing Sources (Uses)	<u>33,500</u>	<u>33,523</u>	<u>23</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(3,178,053)</u>	<u>(7,200,325)</u>	<u>(4,022,272)</u>
Fund Balances at Beginning of Year	2,725,056	2,725,056	-
Prior Year Encumbrances Appropriated	452,997	452,997	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ (4,022,272)</u>	<u>\$ (4,022,272)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust Fund			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 934,266	\$ 860,187	\$ (74,079)
-	-	-	14,025,640	7,533,368	(6,492,272)
20	12	(8)	207,840	220,887	13,047
-	-	-	41,300	57,448	16,148
-	-	-	3,200	961	(2,239)
-	-	-	110,820	108,765	(2,055)
-	-	-	11,732	14,484	2,752
-	-	-	100	150	50
-	-	-	9,290	11,452	2,162
20	12	(8)	15,344,188	8,807,702	(6,536,486)
-	-	-	1,368,390	1,320,440	47,950
-	-	-	212,030	205,651	6,379
-	-	-	76,553	55,147	21,406
-	-	-	3,945	2,911	1,034
-	-	-	52,041	50,276	1,765
-	-	-	102,255	94,515	7,740
-	-	-	46,440	29,139	17,301
-	-	-	357,916	350,424	7,492
-	-	-	138,771	122,477	16,294
-	-	-	5,959	5,592	367
-	-	-	359,544	282,991	76,553
-	-	-	177,448	125,876	51,572
-	-	-	5,584	3,688	1,896
780	-	780	317,568	225,000	92,568
-	-	-	15,849,922	13,080,034	2,769,888
-	-	-	106,176	102,735	3,441
-	-	-	150,000	145,347	4,653
780	-	780	19,330,542	16,202,243	3,128,299
(760)	12	772	(3,986,354)	(7,394,541)	(3,408,187)
-	-	-	83,565	82,234	(1,331)
-	-	-	132	-	(132)
-	-	-	11,521	11,863	342
-	-	-	-	2,051	2,051
-	-	-	(93,523)	(82,169)	11,354
-	-	-	(18,094)	(11,428)	6,666
-	-	-	-	(2,051)	(2,051)
-	-	-	(16,399)	500	16,899
(760)	12	772	(4,002,753)	(7,394,041)	(3,391,288)
760	760	-	3,446,142	3,446,142	-
-	-	-	556,611	556,611	-
\$ -	\$ 772	\$ 772	\$ -	\$ (3,391,288)	\$ (3,391,288)

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Type
For the Year Ended June 30, 2002**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$ 95,199
Other Revenues	103
Total Operating Revenues	95,302
Operating Expenses:	
Salaries	29,985
Fringe Benefits	17,386
Purchased Services	5,565
Cost of Sales	71,107
Depreciation	3,173
Other	302
Total Operating Expenses	127,518
Operating Loss	(32,216)
Non-Operating Revenues:	
Federal Donated Commodities	16,329
Federal and State Subsidies	16,808
Interest	1,249
Total Non-Operating Revenues	34,386
Net Income	2,170
Retained Earnings at Beginning of Year	82,765
Retained Earnings at End of Year	\$ 84,935

The notes to the general-purpose financial statements are an integral part of this statement.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002**

	Proprietary Fund Type
	Enterprise
Increase in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 95,459
Cash Payments to Suppliers for Goods and Services	(59,679)
Cash Payments to Employees for Services	(31,343)
Cash Payments for Fringe Benefits	(17,386)
Cash Payments for Other Expenses	(302)
Net Cash Used For Operating Activities	(13,251)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Cash Received From Operating Grants	16,808
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	1,249
Net Increase in Cash and Cash Equivalents	4,806
Cash and Cash Equivalents at Beginning of Year	79,296
Cash and Cash Equivalents at End of Year	\$ 84,102
 Reconciliation of Operating Loss To Net Cash Used For Operating Activities:	
Operating Loss	\$ (32,216)
<u>Adjustments To Reconcile Operating Loss To Net Cash Used For Operating Activities</u>	
Depreciation	3,173
Federal Donated Commodities	16,329
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	156
Decrease in Inventory Held for Resale	206
Increase in Prepaid Items	(20)
Increase in Accrued Wages	348
Increase in Compensated Absences Payable	458
Decrease in Intergovernmental Payable	(1,707)
Increase in Deferred Revenue	22
Net Cash Used by Operating Activities	\$ (13,251)

Non-Cash Transactions:

During fiscal year 2002, the School District received donated commodities in the Food Service enterprise fund, in the amount of \$16,329.

The notes to the general-purpose financial statements are an integral part of this statement.

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**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002**

NOTE 1 - DESCRIPTION OF SCHOOL DISTRICT

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 608th largest in the State of Ohio (among 612 School District) in terms of enrollment. It is staffed by 14 classified employees, 30 certified full-time teaching personnel, and four administrative employees who provide services to 445 students and other community members. The School District currently operates one elementary school and one middle/high school.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with five organizations which are defined as jointly governed organizations and insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Putnam County School Insurance Group, Ohio School Plan, and the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (GRP). These organizations are presented in Notes 14 and 15 to the general purpose financial-statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

GOVERNMENTAL FUND TYPES:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is 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 major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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).

PROPRIETARY FUND TYPES:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or 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

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND TYPES:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the enterprise fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, including property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlement, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirement, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolutions of the Board of Education.

The Title VI-B Preschool and Title VI-B School Age special revenue funds are flow through grants in which the Putnam County Educational Service Center is the primary recipient. Budgetary information for these

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted, and the School District does not maintain separate budgetary records.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant.

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 General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to certificates of deposit, withdrawable (NOW) accounts, money market deposit accounts, savings accounts, local phone company stock and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$37,603, which includes \$11,350 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and for the acquisition or construction of capital assets. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District capitalizes fixed assets with a minimum threshold of three hundred dollars and minimum useful life of one year. The District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

- General Fund
- State Foundation Program
- State Property Tax Relief
- School Bus Purchase

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development Grant
Education Management Information Systems
Innovative Education Program Strategies (formally Chapter 2)
School Net Professional Development
Continuous Improvement Grant
Eisenhower Grant
Title VI-B Preschool Grant
Title VI-B School Age Grant
Drug Free Grant
Safe School Grant

Capital Projects Funds

Ohio School Facilities Grant
School Net Plus
Instructional Video Distance Learning Program
Tech Equity Grants

Reimbursable Grants

General Fund

Driver Education

Special Revenue Funds

Telecommunications

Proprietary Funds

National School Lunch Program
Special Milk Program
Government Donated Commodities

Grants and entitlements amounted to approximately 86 percent of the School District's operating revenue during the 2002 fiscal year for all governmental funds.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with general accepted accounting principles prior to fiscal year 1994, the exact amount on contributed capital cannot be determined. Consequently, no amounts have been specifically identified as being classified as contributed capital in the accompanying combined financial statements.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Transfers-in exceed transfers-out on the accompanying financial statements due to a transfer from an agency fund that is not reflected on the financial statements under the basis of accounting applied.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service, property taxes, textbook purchases, capital acquisition, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual-All Governmental and Similar Fiduciary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Although not part of the appropriated budget, VI-B Preschool and VI-B School Age special revenue funds are included as part of the reporting entity when preparing financial statements that conform to GAAP.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Similar Fiduciary Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ (48,682)	\$ 9,258	\$ (26,542)	\$ 4,497,385	\$ 12
Revenue Accruals	9,341	(32,566)	(889)	(60,395)	-
Expenditure Accruals	(12,135)	37,254	-	4,058	-
Encumbrances	(104,060)	(24,707)	-	(11,641,373)	-
 Budget Basis	 \$ (155,536)	 \$ (10,761)	 \$ (27,431)	 \$ (7,200,325)	 \$ 12

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School 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 School 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.
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

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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.
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 School District had \$321 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

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 School District's deposits was \$5,604,495 and the bank balance was \$5,720,519. Of the bank balance, \$200,000 was covered by federal depository insurance; \$5,520,519 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School 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	\$ 2,653,125
Common Stock	Category 1	600
Money Market Mutual Fund	Not Categorized	229,922
Total Investments		\$ 2,883,647

The federal agency securities have maturity dates ranging from May 2003 to October 2005.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 2,544,040	\$ 5,944,423
Certificates of Deposit	3,291,298	(3,291,298)
Cash on Hand	(321)	-
Investments:		-
Money Market Mutual Fund	(229,922)	229,922
Stock	(600)	600
GASB Statement 3	\$ 5,604,495	\$ 2,883,647

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Tangible personal property taxes paid 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.

The School District receives property taxes from Putnam County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$45,897 and is recognized as revenue, \$32,737 was available to the General Fund, \$10,820 was available to the Debt Service Fund, \$1,665 was available in the Capital Projects Fund, and \$675 was available to the Special Revenue Classroom Facilities Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 25,112,110	89.24%	\$ 25,649,650	90.28%
Public Utility	1,822,410	6.47%	1,397,860	4.92%
Tangible Personal Property	1,206,466	4.29%	1,362,385	4.80%
Total Assessed Value	<u>\$ 28,140,986</u>	<u>100.00%</u>	<u>\$ 28,409,895</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.75		\$48.44	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (billings for user charged services, and student fees), intergovernmental and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, stable condition of state programs, and the current fiscal year guarantee of federal funds.

NOTE 7 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$ 61,447
Less Accumulated Depreciation	<u>(46,296)</u>
Net Fixed Assets	<u>\$ 15,151</u>

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at At 6/30/01	Additions	Reductions	Balance at At 6/30/02
Land and Improvements	\$ 32,702	\$ 250,468	\$ -	\$ 283,170
Buildings and Improvements	1,227,827	-	-	1,227,827
Furniture, Fixtures, and Equipment	1,073,310	29,206	62,449	1,040,067
Vehicles	251,764	-	-	251,764
Construction In Progress	218,680	1,191,116	-	1,409,796
Total General Fixed Assets	\$ 2,804,283	\$ 1,470,790	\$ 62,449	\$ 4,212,624

The construction in progress represents a new Pre-K through 12 Building, which is expected to be completed during fiscal year 2004.

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance, Indiana Insurance, and Ohio School Plan Insurance for property insurance, fleet insurance and liability insurance.

Coverages provided by Nationwide Insurance, Indiana Insurance and Ohio School Plan are as follows:

	<u>Deductible</u>	<u>Coverage</u>
Building and Contents -		
Replacement Cost	\$1,000	\$7,174,459
Automobile Liability		2,000,000
General Liability:		
Per occurrence		1,000,000
Total per year		3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Effective January 1, 1992, the School District joined together with school districts and other entities to form the Putnam County Schools Insurance Group (PCSIG), a public entity risk pool (Note 15) currently operating as a common risk management and insurance program for 11 member entities.

PCSIG provides employee health care benefits to all participants under a fully insured comprehensive premium policy. The School District pays 100 percent of its monthly premium to the designated health insurance carrier and nothing to the PCSIG. The designated health insurance carrier, in turn, pays 100 percent of all claims.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Jennings Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Jennings Local School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$126,996, 125,169, and 75,641, respectively; 83.50 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$20,957 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

B. School Employees Retirement System:

The Jennings Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined pension plan. SERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the Jennings Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2002, 5.46 percent was the portion used to fund pension obligations. For fiscal year 2001 the rate was 4.20 percent. The contribution requirements of plan

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$17,583, 11,632, and 15,434, respectively; 54.77 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$7,953 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

A. State Teachers Retirement System

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to The Health Care Reserve Fund. For the School District, this amount equaled \$60,156 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

B. School Employees Retirement System

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and 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.

For this fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$33,109 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 195 days. Upon retirement, payment is made for 27.5 percent of their accrued, but unused sick leave credit to a maximum of 40 days.

The long-term balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$207,897. The accrual for unpaid compensated absences of \$3,001 and \$2,173 was reported in the enterprise and general funds, respectively.

B. Insurance

The School District has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio for each full-time certificated and classified employee, and 75 percent of the premium that it pays for full time staff toward the insurance plans provided for bus drivers, cooks and half time aides. Dental insurance is provided by the School District to each full-time certificated and classified employee, and 75 percent of the premium that it pays for full time staff toward the insurance plans for bus drivers, cooks and half time aides that it pays for the full time staff, through Medical Mutual of Ohio. There is a \$55 cap on the amount the School District will pay toward dental insurance.

NOTE 12- LONG-TERM OBLIGATIONS

During the 2001 fiscal year, the District issued a general obligation bond to provide funds for the acquisition and construction of equipment and facilities. This bond is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to this bond are recorded as an expenditure in the Debt Service fund. The source of payment is derived from a current 7.30 mill bonded debt tax levy.

This general obligation bond represents the amount of the construction project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed.

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Principal Outstanding 6/30/01	Additions	Reductions	Principal Outstanding 6/30/02
0% Energy Conservation Loan Matures 4/1/02, Issued 4/1/97	\$ 7,735	\$ -	\$ 7,735	\$ -
5.99% New Building Bond Matures 12/01/23, Issued 12/15/01	2,454,000	-	95,000	2,359,000
Capital Lease Payable	-	31,219	1,697	29,522
Intergovernmental Payable	9,191	10,353	9,191	10,353
Compensated Absences	<u>203,766</u>	<u>207,897</u>	<u>203,766</u>	<u>207,897</u>
Totals	<u>\$ 2,674,692</u>	<u>\$ 249,469</u>	<u>\$ 317,389</u>	<u>\$ 2,606,772</u>

The energy conservation note was issued for five years, with final maturity during fiscal year 2002. Proceeds from the notes were used for energy conservation measures approved under House Bill 264.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2002, are as follows:

Year Ending June 30:	Building Bonds
2003	\$ 194,657
2004	194,272
2005	194,678
2006	193,875
2007	194,832
2008 - 2012	973,045
2013 - 2017	964,937
2018 - 2022	962,071
2023 - 2024	<u>345,719</u>
Total	4,218,086
Less: Amount Representing Interest	<u>1,859,086</u>
TOTAL	<u>\$ 2,359,000</u>

The School District's voted legal debt margin was \$218,962 (including available funds of \$21,071) with an unvoted debt margin of \$28,410 at June 30, 2002.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of Jennings Local School District as of and for the fiscal year ended June 30, 2002.

	Food Service	School Supply	Total
Operating Revenues	\$ 95,302	\$ -	\$ 95,302
Operating Expenses Before Depreciation	122,154	2,191	124,345
Depreciation Expense	3,173	-	3,173
Operating Loss	(30,025)	(2,191)	(32,216)
Non-Operating Revenues			
Federal Donated Commodities	16,329	-	16,329
Operating Grants	16,808	-	16,808
Interest	1,249	-	1,249
Net Income (Loss)	4,361	(2,191)	2,170
Additions to Property, Plant and Equipment			
Net Working Capital	72,785	-	72,785
Total Assets	102,142	-	102,142
Long-Term Liabilities	3,001	-	3,001
Total Equity	84,935	-	84,935
Encumbrances Outstanding (Budget Basis) at June 30, 2002	3,155	-	3,155

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), a not-for-profit computer service organization. NOACSC is an association of public school 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 other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. The School District paid NOACSC \$10,651 for services provided during the year. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. 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 of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Career Center, Attn: Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

NOTE 15 - INSURANCE POOLS

Putnam County Schools Insurance Group - The Putnam County Schools Insurance Group is a shared risk pool among nine local school districts, the Putnam County Board of MR/DD, and the Putnam County Educational Service Center. The insurance group is governed by an advisory committee consisting of each member's superintendent or designee and a teacher from each participating school district. There were no charges for services provided during the year. Financial information can be obtained from Michael Siebeneck, who serves as treasurer, at P.O. Box 190, Ottawa, Ohio 45875.

Ohio School Plan - The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program - The School District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Superintendent of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District paid GRP \$1,086 for services provided during the year.

NOTE 16 - CONTINGENCIES

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

NOTE 17 - 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.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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.

NOTE 18 - NON-CAPITALIZED LEASES

The Jennings Local School District enters into a yearly rental agreement with Saint Joseph's Catholic Church for the rental of the Elementary Building. In fiscal year 2002, the School District paid \$25,500 in rent for this building.

NOTE 19 – CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2002, the District entered into a capitalized lease for the acquisition of copiers. The terms of each lease provide options to purchase the copiers. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been classified as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Similar Fiduciary Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in the 2002 fiscal year totaled \$1,697. The amount is reflected as debt service principal retirement in the Capital Projects Fund. The total principal amount of the lease was \$31,219.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002:

General Long-Term Obligations	
Year Ending June 30:	
2003	\$ 7,140
2004	7,140
2005	7,140
2006	7,140
2007	4,760
Total Future Minimum Lease Payments	33,320
Less: Amount Representing Interest	(3,798)
Present Value of Future Minimum Lease Payments	\$ 29,522

NOTE 20 – SET-ASIDE CALCULATIONS AND FUND RESERVES

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2002. Disclosure of this information is required by State statute.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-Aside Cash Balance as of June 30, 2001	\$ 20,743	\$ 11,237	\$ 8,447	\$ 40,427
Current Year Set-aside Requirement	54,719	54,719	-	109,438
Current Year Offsets	-	(53,363)	-	(53,363)
Qualifying Disbursements	(61,595)	(3,330)	(8,447)	(73,372)
Set-aside Cash Balance as of June 30, 2002	<u>\$ 13,867</u>	<u>\$ 9,263</u>	<u>\$ -</u>	23,130
Amount restricted for bus purchases				41,830
Total Restricted Assets				<u>\$ 64,960</u>

NOTE 21 – OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2002, the District had the following contractual commitments in the Capital Project Fund for the Classroom Facilities Project:

Purpose	Contractor	Amount
New Pre-K - 12 Building	Fanning/Howey Associates	\$ 254,318
	RTBM	186,897
	All-Purpose Contracting, Inc.	252,395
	Lima Contracting Company, Inc.	6,095,870
	Ohio Plumbing & Electrical, Inc.	825,000
	Shambaugh & Son, L.P.	176,465
	Sollman Electric Co.	1,148,350
	Folding Equipment Company	154,833
	Universal Custom Millwork, Inc.	477,000
	Bushong Restaurant Equipment, Inc.	279,045
	Regal Plumbing & Heating Company	<u>1,501,156</u>
Total outstanding contractual commitments as of June 30, 2002		<u>\$ 11,351,329</u>

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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, 2002, and have issued our report thereon dated October 21, 2003. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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
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Control Required by *Government Auditing Standards*
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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



**Auditor of State
Betty Montgomery**

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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**