



Dave Yost • Auditor of State

JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Jennings Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 3 of the financial statements, the District prepared these financial statements using the cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Jennings Local School District as of and for the years ended June 30, 2013 and 2012 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3, for the year ended June 30, 2012, the District ceased reporting on a cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34 and reported in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with general accepted accounting principles, which is similar to the cash receipts and disbursements basis of accounting.

In addition, as described in Note 3, for the year ended June 30, 2012, the District ceased to report using accounting guidance in Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-004 for regulatory financial statements.

Other Matters

Required Supplementary Information

The District also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

March 18, 2014

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**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,150,512	\$14,178	\$206,717		\$1,371,407
Intergovernmental	1,909,800	177,760	31,294		2,118,854
Tuition	411,483				411,483
Earnings on Investments	2,020	144		\$459	2,623
Extracurricular Activities		132,793			132,793
Classroom Materials and Fees	25,508				25,508
Donations		25,214			25,214
Miscellaneous	8,635	7,829		300	16,764
Total Cash Receipts	<u>3,507,958</u>	<u>357,918</u>	<u>238,011</u>	<u>759</u>	<u>4,104,646</u>
Cash Disbursements:					
Instruction:					
Regular	1,825,028	60,631			1,885,659
Special	193,877	84,557			278,434
Vocational Education	29,039				29,039
Other Instruction	473				473
Supporting Services:					
Pupils	128,100				128,100
Instructional Staff	96,842	13,148			109,990
Board of Education	23,897				23,897
Administration	340,989	651			341,640
Fiscal Services	142,704	431	6,318		149,453
Operation and Maintenance of Plant	414,591	29,176			443,767
Pupil Transportation	132,195	565			132,760
Central	6,168				6,168
Food Service Operation		5,456			5,456
Academic Oriented Activities	23,242	61,784			85,026
Occupation Oriented Activities	1,482				1,482
Non-Instructional Services	5,345	27,567			32,912
Extracurricular Activities	60,774	85,356			146,130
Facilities Acquisition and Construction	4,014				4,014
Debt Service:					
Principal Retirement			200,000		200,000
Interest and Fiscal Charges			41,474		41,474
Total Cash Disbursements	<u>3,428,760</u>	<u>369,322</u>	<u>247,792</u>		<u>4,045,874</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>79,198</u>	<u>(11,404)</u>	<u>(9,781)</u>	<u>759</u>	<u>58,772</u>
Other Financing Receipts/Disbursements:					
Transfers-In	34,123				34,123
Transfers-Out				(34,123)	(34,123)
Advances-In	328	186			514
Advances-Out	(186)	(328)			(514)
Refund of Prior Year Expenditures	150,548	9,809		29,062	189,419
Refund of Prior Year Receipts				(237,156)	(237,156)
Other Financing Sources	31,703				31,703
Total Other Financing Receipts/(Disbursements)	<u>216,516</u>	<u>9,667</u>		<u>(242,217)</u>	<u>(16,034)</u>
Net Change in Fund Cash Balances	295,714	(1,737)	(9,781)	(241,458)	42,738
Fund Cash Balances, July 1	263,970	105,425	21,987	275,069	666,451
Fund Cash Balances, June 30	<u>\$559,684</u>	<u>\$103,688</u>	<u>\$12,206</u>	<u>\$33,611</u>	<u>\$709,189</u>
Reserves for Encumbrances, June 30	<u>\$153,143</u>	<u>\$45,210</u>			<u>\$198,353</u>

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

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Food Services	\$117,885			\$117,885
Extracurricular Activities			\$66,675	66,675
Total Operating Cash Receipts	<u>117,885</u>		<u>66,675</u>	<u>184,560</u>
Operating Cash Disbursements:				
Personal Services	42,208		101	42,309
Employees Retirement and Insurance	40,482		16	40,498
Purchased Services	5,823			5,823
Supplies and Materials	78,074			78,074
Other Operating Expenses	148		68,768	68,916
Total Operating Cash Disbursements	<u>166,735</u>		<u>68,885</u>	<u>235,620</u>
Operating Loss	<u>(48,850)</u>		<u>(2,210)</u>	<u>(51,060)</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	47,713			47,713
Donations		\$500		500
Refund of Prior Year Expenditure	29,045			29,045
Earnings on Investments	28			28
Miscellaneous			979	979
Total Non-Operating Cash Receipts	<u>76,786</u>	<u>500</u>	<u>979</u>	<u>78,265</u>
Net Change in Fund Cash Balances	27,936	500	(1,231)	27,205
Fund Cash Balances, July 1	43,039	797	18,323	62,159
Fund Cash Balances, June 30	<u>\$70,975</u>	<u>\$1,297</u>	<u>\$17,092</u>	<u>\$89,364</u>
Reserves for Encumbrances, June 30	<u>\$3,217</u>		<u>\$324</u>	<u>\$3,541</u>

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

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,089,838	\$14,053	\$201,806		\$1,305,697
Intergovernmental	1,923,246	220,693	30,507	\$20	2,174,466
Tuition	401,253				401,253
Earnings on Investments	2,770	144		951	3,865
Extracurricular Activities	25,529	103,508			129,037
Donations		25,386		515	25,901
Miscellaneous	15,064	9,494			24,558
Total Cash Receipts	<u>3,457,700</u>	<u>373,278</u>	<u>232,313</u>	<u>1,486</u>	<u>4,064,777</u>
Cash Disbursements:					
Instruction:					
Regular	1,873,236	116,614			1,989,850
Special	202,301	82,479			284,780
Vocational Education	32,434				32,434
Supporting Services:					
Pupils	103,753	26,932			130,685
Instructional Staff	77,405	7,029			84,434
Board of Education	24,235				24,235
Administration	334,618	3,028			337,646
Fiscal Services	157,119	436	6,249		163,804
Operation and Maintenance of Plant	415,206	21,946			437,152
Pupil Transportation	118,013	625			118,638
Central	10,806	1,092			11,898
Academic Oriented Activities	23,356				23,356
Occupation Oriented Activities	1,522				1,522
Non-Instructional Services	5,179	29,837			35,016
Extracurricular Activities	62,207	100,505			162,712
Facilities Acquisition and Construction	564				564
Debt Service:					
Principal Retirement			160,000		160,000
Interest and Fiscal Charges			50,049		50,049
Total Cash Disbursements	<u>3,441,954</u>	<u>390,523</u>	<u>216,298</u>		<u>4,048,775</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>15,746</u>	<u>(17,245)</u>	<u>16,015</u>	<u>1,486</u>	<u>16,002</u>
Other Financing Receipts/Disbursements:					
Transfers-In		29,560			29,560
Transfers-Out	(29,560)				(29,560)
Advances-In		328			328
Advances-Out	(328)				(328)
Total Other Financing Receipts/(Disbursements)	<u>(29,888)</u>	<u>29,888</u>			
Net Change in Fund Cash Balances	(14,142)	12,643	16,015	1,486	16,002
Fund Cash Balances, July 1	278,112	92,782	5,972	273,583	650,449
Fund Cash Balances, June 30	<u>\$263,970</u>	<u>\$105,425</u>	<u>\$21,987</u>	<u>\$275,069</u>	<u>\$666,451</u>
Reserves for Encumbrances, June 30	<u>\$84,531</u>	<u>\$29,070</u>			<u>\$113,601</u>

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

JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
		Enterprise	Private Purpose Trust	
Operating Cash Receipts:				
Food Services	\$116,752			\$116,752
Extracurricular Activities			\$58,893	58,893
Total Operating Cash Receipts	<u>116,752</u>		<u>58,893</u>	<u>175,645</u>
Operating Cash Disbursements:				
Personal Services	41,928		136	42,064
Employees Retirement and Insurance	32,561		22	32,583
Purchased Services	3,547			3,547
Supplies and Materials	68,372			68,372
Other Operating Expenses	147	\$1,000	57,057	58,204
Total Operating Cash Disbursements	<u>146,555</u>	<u>1,000</u>	<u>57,215</u>	<u>204,770</u>
Operating Income/(Loss)	<u>(29,803)</u>	<u>(1,000)</u>	<u>1,678</u>	<u>(29,125)</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	34,137			34,137
Donations		500		500
Earnings on Investments	24			24
Miscellaneous	217		120	337
Total Non-Operating Cash Receipts	<u>34,378</u>	<u>500</u>	<u>120</u>	<u>34,998</u>
Net Change in Fund Cash Balances	4,575	(500)	1,798	5,873
Fund Cash Balances, July 1	38,464	1,297	16,525	56,286
Fund Cash Balances, June 30	<u>\$43,039</u>	<u>\$797</u>	<u>\$18,323</u>	<u>\$62,159</u>
Reserves for Encumbrances, June 30	<u>\$3,896</u>		<u>\$345</u>	<u>\$4,241</u>

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

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is staffed by 26 certified teaching personnel, 14 classified employees, and 3 administrative employees who provide services to 396 students and other community members. The District currently operates 1 building.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

For fiscal years 2013 and 2012 the District did not modify its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type classifications. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

The District participates in three jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 9 and 17 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Vantage Career Center

Northwest Ohio Area Computer Services Cooperative

Northwest Ohio Special Education Regional Resource Center

Public Entity Risk Pools:

Schools of Ohio Risk Sharing Authority

Ohio School Boards Association Workers' Compensation Group Rating Program

Putnam County School Insurance Group

B. Fund Accounting

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

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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).

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

PROPRIETARY FUND TYPE

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

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

FIDUCIARY FUND TYPES

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

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the fund level are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal years 2013 and 2012, the District invested in nonnegotiable certificates of deposit.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 was \$2,020 which included \$529 assigned from other District funds, and during fiscal year 2012 was \$2,770 which included \$963 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

L. Long-Term Obligations

The District's cash basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Total Columns on Financial Statements

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

NOTE 3 – CHANGE IN FINANCIAL STATEMENT PRESENTATION

In fiscal year 2011, the District reported financial statements on a cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. Starting in fiscal year 2012, the District reported on a regulatory basis.

In addition, in fiscal year 2011, the District using the accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* to report the District's Fund Balances. For the year ended June 30, 2012, the District ceased to report using accounting guidance in GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-004 for regulatory financial statements.

NOTE 4 – COMPLIANCE

Ohio Administrative Code §117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 5 – DEPOSITS

Monies held by the District are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 5 – DEPOSITS – (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2013, \$540,030 of the District's bank balance of \$945,626 was exposed to custodial credit risk, and at June 30, 2012, \$442,481 of the District's bank balance of \$847,448 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 6 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,729,522	\$3,724,660	(\$4,862)
Special Revenue	294,945	367,913	72,968
Debt Service	238,011	238,011	
Capital Projects	29,821	29,821	
Enterprise	194,667	194,671	4
Trust	501	500	(1)
Total	\$4,487,467	\$4,555,576	\$68,109

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,993,493	\$3,582,089	\$411,404
Special Revenue	400,370	414,860	(14,490)
Debt Service	259,998	247,792	12,206
Capital Projects	304,890	271,279	33,611
Enterprise	237,706	169,952	67,754
Trust	1,298	1,298	1,298
Total	\$5,197,755	\$4,685,972	\$511,783

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,457,113	\$3,457,700	\$587
Special Revenue	329,401	403,166	73,765
Debt Service	232,304	232,313	9
Capital Projects	1,435	1,486	51
Enterprise	151,128	151,130	2
Trust	501	500	(1)
Total	\$4,171,882	\$4,246,295	\$74,413

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,735,225	\$3,556,373	\$178,852
Special Revenue	422,183	419,593	2,590
Debt Service	238,275	216,298	21,977
Capital Projects	275,019		275,019
Enterprise	189,592	150,451	39,141
Trust	1,798	1,000	798
Total	\$4,862,092	\$4,343,715	\$518,377

NOTE 7 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2013 represent the collection of calendar years 2012 taxes. Real property taxes received in calendar years 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually.

If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar years 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 7 – PROPERTY TAXES – (Continued)

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013 are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential				
Industrial/Commercial	\$41,168,970	96.32%	\$41,219,030	96.14%
Public Utility	1,574,940	3.68%	1,657,110	3.86%
Total Assessed Value	<u>\$42,743,910</u>	<u>100.00%</u>	<u>\$42,876,140</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.64		\$44.39	

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential				
Industrial/Commercial	\$36,251,200	96.02%	\$41,168,970	96.32%
Public Utility	1,502,540	3.98%	1,574,940	3.86%
Total Assessed Value	<u>\$37,753,740</u>	<u>100.00%</u>	<u>\$42,743,910</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.39		\$44.64	

NOTE 8 – INCOME TAXES

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2006 for a period of five years, and was renewed for another five years on November 3, 2009. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 9 – RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

The 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 disaster. During fiscal year 2013, the District contracted for the following insurance coverage.

Coverage provided through the Schools of Ohio Risk Sharing Authority (SORSA) is as follows:

	<u>Coverage</u>
Property including inland marine-replacement cost (deductible waived)	\$24,268,026
Employee dishonesty Liability	100,000
Automobile Liability	12,000,000
Uninsured Motorists	1,000,000
Medical Payments - per occurrence	5,000
General District Liability	
Total per year	12,000,000

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

SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High St, Columbus, Ohio 43235.

B. Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Board Association's Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of worker's 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.

The GRP's business and affairs are conducted by a 25 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 Treasurer 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.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 9 – RISK MANAGEMENT – (Continued)

C. Putnam County Schools Insurance Group

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

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 10. As such, no funding provisions are required by the District.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC

Plan who become disabled are entitled only to their account balance. If a member of the DC

Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS – (Continued)

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State.

Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, 2011, and 2010 were \$203,815, \$220,894, \$232,206, and \$231,693 respectively; 83.49 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011, and 2010.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, 2011, and 2010 were \$57,729, \$49,713, \$46,413, and \$47,669, respectively; 47.58 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011, and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or one of the School Retirement Systems. As of June 30, 2013, all five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, 2011, and 2010 were \$15,678, \$16,992, \$17,862, and \$17,823, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011, and 2010.

B. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h.

For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$35,088.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, 2011, and 2010 were \$6,493, \$7,947, \$11,123, and \$7,051, respectively; 94.31 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011, and 2010.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 11 – POSTEMPLOYMENT BENEFITS – (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, 2011, and 2010 was \$1,709, \$1,698, \$1,645, and \$1,564, respectively; 47.58 percent has been contributed for fiscal year 2013 and 100 percent for fiscal year 2012, 2011, and 2010.

NOTE 12 – DEBT

The changes in the District's long-term obligations during 2013 were as follows:

	<u>Principal Outstanding 6/30/2012</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2013</u>	<u>Amounts Due in One Year</u>
Governmental Activities				
General Obligation Bonds:				
New PreK-12 Building	<u>\$896,412</u>	<u>\$200,000</u>	<u>\$696,412</u>	<u>\$110,294</u>

The changes in the District's long-term obligations during 2012 were as follows:

	<u>Principal Outstanding 6/30/2011</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2012</u>	<u>Amounts Due in One Year</u>
Governmental Activities				
General Obligation Bonds:				
New PreK-12 Building	<u>\$1,056,412</u>	<u>\$160,000</u>	<u>\$896,412</u>	<u>\$110,294</u>

General obligation bonds represent the District's portion of an Ohio School Facilities Building Project. The Bonds were initially issued at a rate of 5.99 percent during fiscal year 2001, but were refinanced to 4.90 percent on December 1, 2006, with final maturity in fiscal year 2024.

The District has been paying extra principal payments which have decreased the maturity date to 2020. The full faith and credit of the District is pledged for repayment and will be repaid with taxes assessed on all property within the District.

At June 30, 2013 the District's overall legal debt margin was \$3,162,441 with an unvoted debt margin of \$42,876.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 12 – DEBT – (Continued)

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		Total
	Principal	Interest	
2014	\$110,294	\$31,422	\$141,716
2015	110,294	26,018	136,312
2016	110,294	20,613	130,907
2017	110,294	15,209	125,503
2018	110,294	9,804	120,098
2019 – 2020	144,942	5,249	150,191
Total	\$696,412	\$108,315	\$804,727

NOTE 13 – LEASES

The District has a five year operating lease with monthly payments of \$821 per month ending October 2015.

NOTE 14 – SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserve for capital improvements, during 2013.

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2012	
Current year set-aside requirements	\$67,063
Current Year Off-Sets	
Qualifying Disbursements	(\$67,063)
Set-aside Reserve Balance as of June 30, 2013	

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 14 – SET ASIDE REQUIREMENTS – (Continued)

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2012.

	<u>Capital Improvements Reserve</u>
Set-aside Reserve Balance as of June 30, 2011	
Current year set-aside requirements	\$65,068
Current Year Off-Sets	
Qualifying Disbursements	<u>(\$65,068)</u>
Set-aside Reserve Balance as of June 30, 2012	<u><u> </u></u>

NOTE 15 – CONTINGENCIES

A. Grants

The 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 District at June 30, 2013 and 2012.

B. Litigation

There are currently no matters in litigation with the District as defendant.

NOTE 16 – INTERFUND TRANSACTIONS

During fiscal year 2013, the Classroom Facilities – Local Share Fund transferred \$34,123 to the General Fund to close the fund. The General Fund initially transferred monies to the Classroom Facilities – Local Share Fund in 2003 at the start of the project.

During fiscal year 2012 the General Fund transferred \$29,560 to the State – Management Information Fund to subsidize operations.

During fiscal year 2013 and 2012, the General Fund advanced \$186 and \$328, respectively, to the Title II-A Improving Teacher Quality Fund to subsidize operations. Repayment of prior year advances between the same funds were also made in 2013 for \$328.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. Vantage Career Center

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

B. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert 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. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

C. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent Advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Jennings Local School District, Putnam County, Ohio (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 18, 2014, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America, and wherein we noted in fiscal year 2012 the District ceased reporting on a cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34 and reported in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with general accepted accounting principles. We also noted the District ceased to modify its statements using the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a

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deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 18, 2014

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code § 117-2-03(B), which further clarifies the requirements of **Ohio Revised Code § 117.38**, requires the District to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

However, the District does not meet this standard and prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

To help provide the users with more meaningful financial statements, the District should prepare their annual financial statements according to generally accepted accounting principles.

FINDING NUMBER 2013-002

Material Weakness – GASB 54

The District ceased to modify the financial statements per the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the years ended June 30, 2013 and 2012 as mandated by the Auditor of State Bulletin 2011-004 for regulatory basis financial statements. Under GASB No. 54, fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned. In addition, GASB No. 54 provides additional clarity in how governmental funds should be classified.

The District is not fully disclosing the manner in which fund balances are restricted, per the guidance in GASB 54. Noncompliance could also affect the classification of funds and increases the risk fund balances may be improperly spent.

We recommend the District report using the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

FINDING NUMBER 2013-003

Material Weakness - Reporting and Budgeting Ohio Department of Education Grants

Sound accounting practices require money spent on behalf of the District by other governments be posted to the District's ledgers. Furthermore, Ohio Revised Code § 5705.42 deems the funds appropriated, eliminating the need for the District to approve a formal appropriation for these monies, however, this section does require the District to record the appropriation.

The District was the beneficiary of \$73,610 and \$73,809 in 2013 and 2012 respectively, of Special Education Cluster money paid directly to the Putnam County Educational Service Center (ESC) by the Ohio Department of Education (ODE). This activity and the corresponding appropriations were not recorded on the ledgers of the District. Since ODE forwards the grant to the ESC, the District did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the District applies for a grant and has administrative responsibilities. The accompanying financial statements were adjusted to reflect the amounts in the Special Revenue Fund Type.

We recommend the District record all benefits received from State or Federal grants as a memo receipt and expenditure on the District's records, request an amended certificate of estimated resources for these funds and the Board approve a corresponding appropriation for the expenditure. In addition, District management should review Auditor of State Bulletin 2000-08.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**JENNINGS LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Administrative Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as finding 2013-001.
2011-002	Material weakness to improve monitoring of financial statements.	Yes	

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Jennings Local School District, Putnam County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on May 16, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board 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 "Dave Yost".

Dave Yost
Auditor of State

March 18, 2014

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Dave Yost • Auditor of State

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
APRIL 1, 2014**