

ROOTSTOWN LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

Board of Education
Rootstown Local School District
4140 State Route 44
Rootstown, Ohio 44272

We have reviewed the *Independent Auditor's Report* of the Rootstown Local School District, Portage County, prepared by Varney, Fink & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 6, 2007

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**ROOTSTOWN LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Rootstown Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rootstown Local School District (the District), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2006 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2006, the District adopted Government Accounting Standards Board Statement No. 42 "*Accounting and Financial Report for Impairment of Capital Assets and Insurance Recoveries*", Statement No. 46 "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47 "*Accounting for Termination Benefits*."

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

August 24, 2007

Rootstown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

The discussion and analysis of the Rootstown Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

- General Revenues accounted for \$9.3 million in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.4 million or 13% of total revenues of \$10.7 million.
- Total program expenses were \$10.4 million in Governmental Activities.
- In total, net assets of Governmental Activities increased \$387,929 which represents a 42% increase from 2005.
- Outstanding bonded debt, including long-term tax anticipation notes, decreased from \$925,000 to \$840,000 through the payment of bond principal.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation of non-instructional services, food service operation, uniform supplies and extracurricular activities.

Rootstown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund and permanent improvement.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and permanent improvement capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statements begin on page 16.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds. The fiduciary fund financial statements begin on page 18.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Rootstown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Current and Other Assets	\$ 6,716,203	\$ 5,557,616
Capital Assets	1,840,217	1,900,835
Total Assets	8,556,420	7,458,451
Liabilities		
Long-Term Liabilities	1,226,035	1,414,903
Other Liabilities	6,029,182	5,130,274
Total Liabilities	7,255,217	6,545,177
Net Assets		
Invested in Capital		
Assets Net of Debt	1,750,217	1,725,835
Restricted	890,738	614,703
Unrestricted (Deficit)	(1,339,752)	(1,427,264)
Total Net Assets	\$ 1,301,203	\$ 913,274

Total assets increased by \$1,097,969. The increase was primarily due to an increase in cash and cash equivalents of \$1,158,587. A decrease of \$60,618 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities increased \$710,040. The increase was partially due to increase in deferred/unearned revenue, due to increased taxes receivable.

Rootstown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2006 as compared to fiscal year 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 535,826	\$ 474,075
Operating Grants	896,407	509,610
<i>General Revenue:</i>		
Property Taxes	4,498,283	4,282,789
Grants and Entitlements	4,718,774	5,028,488
Other	124,610	105,338
<i>Total Revenues</i>	10,773,900	10,400,300
Program Expenses		
Instruction	5,960,151	6,656,100
Support Services	3,572,672	3,597,184
Operation of Non-Instructional	14,258	37,833
Extracurricular Activities	402,962	406,038
Interest and Fiscal Charges	36,092	11,338
Food Services	379,347	359,161
Uniform School Supplies	20,489	15,602
<i>Total Expenses</i>	10,385,971	11,083,256
Increase (Decrease) in Net Assets	\$ 387,929	\$ (682,956)

There were no individually significant changes in program expenses as compared to the prior year. Property tax revenues increased \$215,494 as compared to 2005, which was a result of increased collections and the increase in revenue recognized from property taxes available as an advance from the Portage County Auditor's office. See Note 2D of the basic financial statements for a more detailed discussion of revenue recognition of property taxes available as an advance.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of nearly \$10.8 million and expenses of nearly \$10.4 million.

Rootstown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

(Table 3)
Governmental Activities

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 5,960,151	\$ (5,129,841)	\$ 6,656,100	\$ (6,227,667)
Support Services:				
Pupil and Instructional Staff	868,024	(857,731)	730,912	(711,610)
Board of Education, Administration Fiscal and Business	1,115,444	(1,095,885)	1,224,164	(1,207,279)
Operation and Maintenance of Plant	923,840	(923,840)	951,225	(934,266)
Pupil Transportation and Central	665,364	(645,570)	690,883	(690,883)
Operation of Non-Instructional Services	14,258	19,062	37,833	(20,860)
Extracurricular Activities	402,962	(317,579)	406,038	(297,722)
Interest Charges	36,092	(36,092)	11,338	(11,338)
Food Service Operations	379,347	34,268	359,161	(537)
Uniform Supplies	20,489	(530)	15,602	2,591
Total	\$ 10,385,971	\$ (8,953,738)	\$ 11,083,256	\$ (10,099,571)

Instruction and Student Support Services comprise 76% of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 15% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Rootstown Local School District students.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10.8 million and expenditures of \$10.5 million. The net change in fund balance for the year was most significant in the permanent improvement capital project fund, with an increase of \$280,135. The use of permanent improvement monies was avoided in order to increase the fund for purposes of building a bus garage.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, there were minor changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue was approximately \$9.6 million, \$.8 million over the original budget estimates of approximately \$8.8 million. The primary cause of this increase was due to an increase in intergovernmental revenues and tax collections.

Rootstown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Final appropriations of approximately \$9.9 million were \$.9 million higher than the approximately \$9 million original budget and \$.3 million above actual fiscal year 2006 expenditures. There were no individually significant programs provided by the School District that were the cause to these reasonable variances.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$1.8 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared with 2005 net of depreciation.

(Table 4)
Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities	
	2006	2005
Land	\$ 779,700	\$ 779,700
Land Improvements	226,508	243,624
Buildings and Improvements	467,376	504,704
Furniture and Equipment	216,865	163,998
Vehicles	149,768	208,809
Totals	\$ 1,840,217	\$ 1,900,835

The \$60,618 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. See Note 9 to the basic financial statements for more detail on the capital assets of the School District.

Debt

At June 30, 2006, the School District had \$90,000 in bonds outstanding with \$90,000 due within one year. During fiscal year 2006, \$85,000 of general obligation bonds were retired. At June 30, 2006, the School District had \$750,000 in tax anticipation notes outstanding with \$150,000 due within one year. During fiscal year 2006, \$-0- of the tax anticipation notes were retired. Table 5 summarizes debt outstanding.

(Table 5)
Outstanding Debt, at June 30

	2006	2005
General Obligation Bonds:		
1996 Energy Conservation	\$ 90,000	\$ 175,000
2005 Tax Anticipation Note	750,000	750,000
Totals	\$ 840,000	\$ 925,000

Rootstown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

The proceeds of the 1996 bond issues were utilized for the replacement of elementary and middle school's windows. The proceeds of the 2005 tax anticipation note were utilized for the emergency requirements of the School District. See Note 14 to the basic financial statements for more detail on the debt of the School District.

Current Issues

It is evident that the Rootstown Local School District relies heavily on its property owners for support. In today's economical climate, this presents a problem to the School District as well as the local taxpayer. Until there is a change in the funding structure from the state, this will continue to be a key point of concern. In fiscal year 2006, the School District lost nearly \$130,000 from Rootstown students that choose to attend other districts through their open enrollment policy. In an effort to offset this loss, Rootstown Local Schools implemented an open enrollment policy to contiguous districts for fiscal year 2006. The result was a gain of \$83,000. Special education and gifted funding have been reduced every year. The School District attempts to help compensate for some of these losses by applying for additional grant money. Our position is such that the School District does not qualify for many of the "needy" grants.

Because of House Bill 920 that was passed in the 1970's, current levies do not provide for inflationary revenue growth as valuation increases, with the exception of the inside mills and new construction. Thus, as a School District dependent upon property tax and a decline in the State Foundation, the School District will need to request property tax increases to maintain a constant level of service.

The School District will implement additional cuts if necessary for the upcoming fiscal year to improve its overall financial stability.

The School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karen Andrei, Treasurer of Rootstown Local School District, 4140 State Route 44, Rootstown, OH 44272.

Rootstown Local School District

Statement of Net Assets

June 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,519,965
Receivables:	
Taxes	5,187,797
Accounts	5,570
Intergovernmental	2,871
Nondepreciable Capital Assets	779,700
Depreciable Capital Assets (Net)	1,060,517
<i>Total Assets</i>	<u>8,556,420</u>
Liabilities	
Accounts Payable	26,801
Accrued Wages and Benefits	866,028
Intergovernmental Payable	321,114
Unearned Revenue	4,815,239
Long Term Liabilities:	
Due Within One Year	296,064
Due In More Than One Year	929,971
<i>Total Liabilities</i>	<u>7,255,217</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,750,217
Restricted for:	
Capital Projects	764,284
Other Purposes	126,454
Unrestricted	(1,339,752)
<i>Total Net Assets</i>	<u>\$ 1,301,203</u>

See accompanying notes to the basic financial statements

Rootstown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 4,402,642	\$ 160,490	\$ 47,012	\$ (4,195,140)
Special	957,584	0	622,808	(334,776)
Vocational	288,224	0	0	(288,224)
Other	311,701	0	0	(311,701)
Support services:				
Pupils	445,517	0	8,297	(437,220)
Instructional staff	422,507	0	1,996	(420,511)
Board of education	20,804	0	0	(20,804)
Administration	749,110	0	19,559	(729,551)
Fiscal	308,061	0	0	(308,061)
Business	37,469	0	0	(37,469)
Operation and maintenance of plant	923,840	0	0	(923,840)
Pupil transportation	646,589	0	19,794	(626,795)
Central	18,775	0	0	(18,775)
Operation of non-instructional services	14,258	0	33,320	19,062
Food Service Operations	379,347	269,994	143,621	34,268
Uniform Supplies	20,489	19,959	0	(530)
Extracurricular activities	402,962	85,383	0	(317,579)
Interest and fiscal charges	36,092	0	0	(36,092)
Total Governmental Activities	\$ 10,385,971	\$ 535,826	\$ 896,407	(8,953,738)
General Revenues				
Property Taxes Levied for:				
General Purposes				4,196,171
Debt Service				15,795
Capital Outlay				286,317
Grants and Entitlements not Restricted to Specific Programs				4,718,774
Investment Earnings				38,753
Miscellaneous				85,857
Total General Revenues				9,341,667
Change in Net Assets				387,929
Net Assets Beginning of Year				913,274
Net Assets End of Year				\$ 1,301,203

See accompanying notes to the basic financial statements

Rootstown Local School District

*Balance Sheet
Governmental Funds
June 30, 2006*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 492,984	\$ 744,974	\$ 224,806	\$ 1,462,764
Receivables:				
Taxes	4,720,102	303,710	163,985	5,187,797
Accounts	5,570	0	0	5,570
Intergovernmental	0	0	2,871	2,871
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	57,201	0	0	57,201
<i>Total Assets</i>	<u>\$ 5,275,857</u>	<u>\$ 1,048,684</u>	<u>\$ 391,662</u>	<u>\$ 6,716,203</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 16,226	\$ 2,200	\$ 8,375	\$ 26,801
Accrued Wages and Benefits	831,286	0	34,742	866,028
Intergovernmental Payable	307,127	0	13,987	321,114
Deferred Revenue	4,529,662	290,980	163,985	4,984,627
<i>Total Liabilities</i>	5,684,301	293,180	221,089	6,198,570
Fund Balances				
Reserved for Encumbrances	576	800	8,800	10,176
Reserved for Tax Revenue Unavailable for Appropriation	190,440	12,730	0	203,170
Reserved for Capital Improvements	57,201	0	0	57,201
Unreserved:				
Undesignated, Reported in:				
General Fund	(656,661)	0	0	(656,661)
Special Revenue Funds	0	0	161,773	161,773
Capital Projects Funds	0	741,974	0	741,974
<i>Total Fund Balances</i>	<u>(408,444)</u>	<u>755,504</u>	<u>170,573</u>	<u>517,633</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,275,857</u>	<u>\$ 1,048,684</u>	<u>\$ 391,662</u>	<u>\$ 6,716,203</u>

See accompanying notes to the basic financial statements

Rootstown Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2006*

Total Governmental Fund Balances	\$	517,633
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,840,217
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds. Delinquent Property Taxes		169,388
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds/Notes	\$ (840,000)	
Compensated Absences	<u>(386,035)</u>	<u>(1,226,035)</u>
 Net Assets of Governmental Activities	 \$	 <u>1,301,203</u>

See accompanying notes to the basic financial statements

Rootstown Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 4,180,568	\$ 277,537	\$ 15,795	\$ 4,473,900
Intergovernmental	5,077,622	33,840	513,031	5,624,493
Investment income	36,405	0	2,348	38,753
Tuition and fees	160,490	0	0	160,490
Extracurricular activities	0	0	85,383	85,383
Charges for services	0	0	289,953	289,953
Miscellaneous	30,194	0	55,663	85,857
<i>Total Revenues</i>	9,485,279	311,377	962,173	10,758,829
Expenditures:				
Current:				
Instruction:				
Regular	4,414,604	0	51,464	4,466,068
Special	696,477	0	273,799	970,276
Vocational	294,588	0	0	294,588
Other	311,701	0	0	311,701
Support services:				
Pupils	446,500	0	8,784	455,284
Instructional staff	400,218	0	10,015	410,233
Board of education	20,804	0	0	20,804
Administration	699,526	457	53,354	753,337
Fiscal	303,939	4,378	0	308,317
Business	37,469	0	0	37,469
Operation and maintenance of plant	932,750	0	0	932,750
Pupil transportation	563,338	603	22,000	585,941
Central	16,443	0	0	16,443
Operation of non-instructional services	0	0	8,916	8,916
Food Service Operations	0	0	379,749	379,749
Uniform Supplies	0	0	20,489	20,489
Extracurricular activities	298,180	0	96,780	394,960
Capital outlay	0	25,804	0	25,804
Debt service:				
Principal retirement	0	0	85,000	85,000
Interest and fiscal charges	0	0	36,092	36,092
<i>Total Expenditures</i>	9,436,537	31,242	1,046,442	10,514,221
<i>Excess of Revenues Over (Under) Expenditures</i>	48,742	280,135	(84,269)	244,608
Other Financing Sources (Uses):				
Transfers in	0	0	105,297	105,297
Transfers out	(105,297)	0	0	(105,297)
<i>Total Financing Sources and (Uses)</i>	(105,297)	0	105,297	0
<i>Net Change in Fund Balance</i>	(56,555)	280,135	21,028	244,608
<i>Fund balance (deficit) at beginning of year, restated (See Note 3)</i>	(351,889)	475,369	149,545	273,025
<i>Fund balance (deficit) at end of year</i>	\$ (408,444)	\$ 755,504	\$ 170,573	\$ 517,633

See accompanying notes to the basic financial statements

Rootstown Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	244,608
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Asset Additions	\$	122,328
Current Year Depreciation		(182,946)
		(60,618)

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

Delinquent Property Taxes	15,071
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Principal	85,000
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Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	103,868
	103,868

Change in Net Assets of Governmental Activities	\$	387,929
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See accompanying notes to the basic financial statements

Rootstown Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,170,347	\$ 4,279,343	\$ 4,279,463	\$ 120
Intergovernmental	4,426,315	5,088,520	5,088,526	6
Investment Income	32,077	33,199	36,405	3,206
Tuition and Fees	123,698	140,388	140,388	0
Miscellaneous	24,126	18,465	18,465	0
<i>Total Revenues</i>	<u>8,776,563</u>	<u>9,559,915</u>	<u>9,563,247</u>	<u>3,332</u>
Expenditures:				
Current:				
Instruction	5,451,182	6,098,750	5,875,870	222,880
Support Services:				
Pupils	434,698	458,011	451,926	6,085
Instructional Staff	352,923	370,172	366,910	3,262
Board of Education	19,974	21,564	20,766	798
Administration	681,168	713,900	707,858	6,042
Fiscal	285,342	304,160	302,399	1,761
Business	36,041	40,361	37,469	2,892
Operation and Maintenance of Plant	908,505	990,240	943,340	46,900
Pupil Transportation	552,608	610,216	570,282	39,934
Central	15,814	18,000	16,443	1,557
Extracurricular Activities	289,987	310,608	301,480	9,128
<i>Total Expenditures</i>	<u>9,028,242</u>	<u>9,935,982</u>	<u>9,594,743</u>	<u>341,239</u>
Excess of Revenues Over (Under) Expenditures	(251,679)	(376,067)	(31,496)	344,571
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	29,890	29,890	29,890	0
Advances In	23,826	23,826	23,826	0
Advances Out	(16)	(16)	(16)	0
Transfers Out	(105,297)	(105,297)	(105,297)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(51,597)</u>	<u>(51,597)</u>	<u>(51,597)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(303,276)	(427,664)	(83,093)	344,571
<i>Fund Balance at Beginning of Year, Restated (See Note 3)</i>	621,160	621,160	621,160	0
Prior Year Encumbrances Appropriated	10,631	10,631	10,631	0
<i>Fund Balance at End of Year</i>	<u>\$ 328,515</u>	<u>\$ 204,127</u>	<u>\$ 548,698</u>	<u>\$ 344,571</u>

See accompanying notes to the basic financial statements

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Rootstown Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 85,438	\$ 20,776
Liabilities		
Undistributed Monies	\$ 0	\$ 20,776
<i>Total Liabilities</i>	0	\$ 20,776
Net Assets		
Held in Trust for Scholarships	85,438	
<i>Total Net Assets</i>	\$ 85,438	

See accompanying notes to the basic financial statements

Rootstown Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$ 3,714
Miscellaneous	500
Total	4,214
Deductions	
Payments in accordance with trust agreement	8,600
<i>Change in Net Assets</i>	(4,386)
<i>Net Assets Beginning of Year</i>	89,824
<i>Net Assets End of Year</i>	\$ 85,438

See accompanying notes to the basic financial statements

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 1 – Description of the School District

The Rootstown Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership was 1,322. The School District employs 93 certificated and 62 non-certificated employees.

Reporting Entity

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

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 for the organization. The School District has no component units.

Management believes the financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

The School District participates in one jointly governed organization, the Stark Portage Area Computer Consortium (SPARCC), which is presented in Note 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities, unless those pronouncements conflict with or contradict GASB pronouncements. For the year ended June 30, 2006, the School District has implemented GASB Statement No.42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*", Statement No. 46, "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47, "*Accounting for Termination Benefits*."

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Statement No. 46 establishes that any amount of primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of these new Standards. The following are the most significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund The general fund accounts 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.

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities.

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust-scholarship fund and an agency fund. The School District's agency fund accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non fiduciary assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private purpose trust funds are reported using the economic resources measurement focus and are excluded from the Government-Wide Financial Statements. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred/unearned revenue, and in the presentation of expenses versus expenditures.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a 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 to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred/Unearned Revenue Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "operating grants and contributions" program revenue account.

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 governmental funds.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool, except for certain trust fund monies that have been separately invested in a mutual fund. Individual fund integrity is maintained through School District records. Each funds' interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2006, other investments of the School District were limited STAROhio, (the State Treasurer's Investment Pool), repurchase agreements and certificates of deposit. These nonparticipating investment contracts are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$36,405, which includes \$20,662 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the 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 enabling legislation. Restricted assets include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 19 for additional information regarding set-asides.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of fifteen hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years
Library and Textbooks	6 Years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that 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.

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

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include extracurricular activities, operation and maintenance of plant, and special education.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The School District reserves those 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 appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, and capital improvements.

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

M. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

O. 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.

P. Budgetary Data

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. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at the level of control. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts 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.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 3 – Restatement of Fund Balance

A. Budgetary Basis

The following is a summary of an adjustment to the beginning balance of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the general fund, which is needed to agree with the actual cash balances of the School District due to the change detailed in part B below:

	<u>General Fund</u>
Fund Balance June 30, 2005	\$ 471,028
Adjustment	150,132
Restated Fund Balance July 1, 2005	<u>\$ 621,160</u>

B. Modified Accrual Basis of Accounting

During the fiscal year ending June 30, 2006, the Emergency Levy Special Revenue was deemed to be more appropriately included in the general fund. The result of this change, and the effect on fund balances, are summarized below:

	<u>General</u>	<u>Permanent Improvements</u>	<u>Other Governmental</u>	<u>Total</u>
Fund Balances, June 30, 2005	\$ (376,415)	\$ 475,369	\$ 174,071	\$ 273,025
Emergency Levy Fund Balance	24,526	0	(24,526)	0
Restated Fund Balances, July 1, 2005	<u>\$ (351,889)</u>	<u>\$ 475,369</u>	<u>\$ 149,545</u>	<u>\$ 273,025</u>

Note 4 – Fund Deficits

Fund balances and net assets at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>	
	<u>Fund Balance</u>	<u>Net Assets</u>
General Fund	\$ 408,444	\$ 627,301
Nonmajor Governmental Funds:		
Title VI-B	444	444

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

Note 5 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance -

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Budget (Non-GAAP Basis) and Actual, is presented for the general fund 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (56,555)
Net Adjustment for Revenue Accruals	131,684
Net Adjustment for Expenditure Accruals	(156,728)
Adjustment for Encumbrances	<u>(1,494)</u>
Budget Basis	<u><u>\$ (83,093)</u></u>

Note 6 – 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 two-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.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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 invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements is 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 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 item (1) or (2) above 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate 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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Cash on Hand At year end, the School District had \$100 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.

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$(50,405) and the bank balance was \$131,671. Of the bank balance:

1. \$106,074 was covered by federal depository insurance; and
2. \$25,597 was covered by collateral held by a qualified third party trustee not in the name of Rootstown Local School District.

Investments

Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

	Fair Value	Investment Maturities (in months) 0-6
Repurchase Agreement	\$1,566,741	\$1,566,741
Mutual Funds	12,298	12,298
STAROhio	97,445	97,445
Totals	<u>\$1,676,484</u>	<u>\$1,676,484</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk: The School District's investments at June 30, 2006 include repurchase agreements, mutual funds, and STAROhio which is rated AAAM by Standard & Poor's. The repurchase agreement and mutual fund account are not rated by Standard & Poor's or Moody's Investor Services.

Concentration of Credit Risk: The School District places no limit on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in STAROhio and repurchase agreements. These investments are 93% and 5%, respectively of the School District's total investments for the amounts listed above.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 18.75 percent of true value for capital assets and 18.75 percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Portage County. The Fiscal Officer 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$143,668 in the general fund, \$46,772 in the emergency fund, and \$12,730 in the permanent improvement capital projects fund.

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

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$144,356,620	89.21%	\$148,991,490	89.51%
Public Utility Personal	30,760	0.02%	30,930	0.02%
Tangible Personal Property	<u>17,427,185</u>	<u>10.77%</u>	<u>17,429,395</u>	<u>10.47%</u>
Total	<u>\$161,814,565</u>	<u>100.00%</u>	<u>\$166,451,815</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$57.18		\$62.94	

Note 8 - Receivables

Receivables at June 30, 2006, consisted of taxes, intergovernmental grants, and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30 consisted of state and federal grants of \$2,871.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/06</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 779,700	\$ 0	\$ 0	\$ 779,700
<i>Capital Assets, being depreciated:</i>				
Land Improvements	527,411	0	0	527,411
Building and Improvements	3,895,752	0	0	3,895,752
Furniture and Equipment	772,861	122,328	(16,726)	878,463
Vehicles	758,614	0	0	758,614
Library and Text Books	349,706	0	0	349,706
Total Capital Assets, being depreciated	6,304,344	122,328	(16,726)	6,409,946
Less Accumulated Depreciation:				
Land Improvements	(283,787)	(17,116)	0	(300,903)
Building and Improvements	(3,391,048)	(37,328)	0	(3,428,376)
Furniture and Equipment	(608,863)	(69,461)	16,726	(661,598)
Vehicles	(549,805)	(59,041)	0	(608,846)
Library and Text Books	(349,706)	0	0	(349,706)
Total Accumulated Depreciation	<u>(5,183,209)</u>	<u>(182,946)</u>	<u>16,726</u>	<u>(5,349,429)</u>
Total Capital Assets being depreciated, Net	<u>1,121,135</u>	<u>(60,618)</u>	<u>0</u>	<u>1,060,517</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,900,835</u>	<u>\$ (60,618)</u>	<u>\$ 0</u>	<u>\$ 1,840,217</u>

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	91,964
Special		1,739
Support Services:		
Pupil		947
Instructional Staff		11,442
Administration		482
Fiscal		500
Operation and Maintenance of Plant		372
Pupil Transportation		63,358
Central		2,332
Operation of non instructional		5,342
Extracurricular Activities		4,468
		<hr/>
Total Depreciation	\$	<u>182,946</u>

Note 10 – Risk Management

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. There has been no reduction in insurance coverage from the prior year. There also have been no settlements paid in excess of insurance coverage in the past three years.

A. Property and Liability

The School District has a property and fleet insurance policy through Indiana Insurance. The deductibles for the property insurance are \$2,500. The deductibles for the fleet insurance vary from \$500 to \$1,000 depending on the incident. The School District also holds a liability insurance policy with Harcum-Hyre Insurance Agency. The deductibles here range from \$0 to \$2,500. The board president and superintendent have a \$30,000 position bond with Nationwide Insurance. The treasurer is covered under a surety bond in the amount of \$300,000.

B. Workers' Compensation

The School District pays the State Workers' Compensation system a premium based on a rate of \$1.66 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

C. Employee Medical Benefits

Medical and prescription coverage is provided as a Comprehensive Major Medical program through Benefit Services, Inc. Monthly family premiums are \$909.19 for Administrative and Certified Staff and \$848.01 for Classified Staff. Monthly single premiums are \$369.43 for Administrative and Certified Staff and \$345.05 for Classified Staff.

Dental coverage is provided as a Comprehensive Major Medical plan through Benefit Services, Inc. Monthly premiums are \$82.11 for family coverage and \$34.03 for single coverage.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 11 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a 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 43215-3476 or by calling (800) 878-5853. It is also posted on SERS' Web site, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$228,552, \$149,603, and \$215,364 respectively; 49 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$113,004 represents the unpaid contributions for fiscal year 2006, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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

ROOTSTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$638,598, \$619,767, and \$640,883 respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$4,494 made by the School District and \$4,512 made by the plan members. \$105,840 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - 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 non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$46,601 during the 2006 fiscal year.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. The health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$94,780.

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. Health care benefits are financed on a pay-as-you-go basis. Net health care costs for year ending June 30, 2006, were \$158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS had approximately 59,492 participants currently receiving health care benefits.

Note 13 – Other Employee Benefits

A. Life Insurance

The School District provides term life insurance to employees through Benefit Services, Inc. in the amount of \$20,000 for all eligible employees. Term life insurance is provided for Administrative Staff based upon double the employee's annual salary and the premium is \$.19 per \$100 of salaries and an additional \$3.40 per month. Term life insurance is provided for the nine-month Certified Staff at a monthly rate of \$3.40 per employee. Term life insurance is provided for Classified Staff that meet the nine-month contract and twenty or more hours per week requirement at a monthly rate of \$ 3.40.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and Administrators, who are contracted to work no less than 12 months, earn 10 to 20 days of vacation per year depending upon length of service. Teachers and Administrators who work less than 12 months do not earn vacation time.

Teachers, Administrators, and Classified employees earn sick leave at a rate of one and one-quarter days per month cumulated without limit. Upon retirement, Certified and Classified employees with 10 years or more of service to the School District may receive thirty percent of accrued and unused sick leave, to a maximum of forty days.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

C. Special Termination Benefits

Certified employees meeting the requirements included in the negotiated agreement, and the provision of the retirement system, receive a salary incentive when they retire from active service in the amount of \$10,000.00.

Eligibility requirement for participation in this program:

1. The employee must be eligible for retirement and retire by August first of each year.
2. The employee must have 10 or more full years of continuous service with the School District.
3. The employee must submit a request at least 30 days prior to the date of retirement.
4. The employee must be eligible by the retirement system standards and must retire by August first in the year in which the employee achieves 30 years' service credit for retirement purposes. After that time, the employee would be ineligible for the retirement incentive plan.

Note 14 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	<u>Outstanding 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/06</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
General Obligation Debt:					
1996 Energy Conservation 5.6%	\$ 175,000	\$ 0	\$ 85,000	\$ 90,000	\$ 90,000
2005 Tax Anticipation Note 4.21%	<u>750,000</u>	<u>0</u>	<u>0</u>	<u>750,000</u>	<u>150,000</u>
Total General Obligation Debt	925,000	0	85,000	840,000	240,000
Compensated Absences	<u>489,903</u>	<u>0</u>	<u>103,868</u>	<u>386,035</u>	<u>56,064</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,414,903</u>	<u>\$ 0</u>	<u>\$ 188,868</u>	<u>\$ 1,226,035</u>	<u>\$ 296,064</u>

In 1996, the School District issued a total of \$700,000 in general obligation bonds for energy conservation in the School District. The bonds mature in 2006.

In 2005, the School District issued a total of \$750,000 in tax anticipation notes for the emergency requirements of the School District. The notes mature in 2010.

General obligation bonds and tax anticipation notes will be paid from the debt service fund. Compensated absences will be paid from the general fund and respective funds.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

<u>Fiscal Year Ending June 30,</u>	<u>Energy Conservation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	<u>\$ 90,000</u>	<u>\$ 2,408</u>	<u>\$ 92,408</u>

<u>Fiscal Year Ending June 30,</u>	<u>Tax Anticipation Notes</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 150,000	\$ 28,431	\$ 178,431
2008	150,000	22,113	172,113
2009	150,000	15,795	165,795
2010	150,000	9,477	159,477
2011	150,000	3,159	153,159
	<u>\$ 750,000</u>	<u>\$ 78,975</u>	<u>\$ 828,975</u>

Note 15 – Deferred/Unearned Revenue

Deferred/unearned revenue consisted of the following:

	<u>Statement of Net Assets</u>	<u>Balance Sheet</u>
Property Taxes Receivable	<u>\$ 4,815,239</u>	<u>\$ 4,984,627</u>

Note 16 - Interfund Transfers

The transfer made during fiscal year 2006 was \$105,297 to the debt service fund from the general fund. This transfer was made to move unrestricted balances to fund the current debt service obligation.

Note 17 - Jointly Governed Organizations

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the year ended June 30, 2006, the School District paid \$27,660 to SPARCC for basic service charges.

ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 18 - Contingencies

A. 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 are 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 year end.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition the School District.

Note 19 - Set-Asides

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 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 and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Totals
Set-Aside Carryover Balance as of June 30, 2005	\$ 22,560	\$ (98,232)	\$ (75,672)
Current Year Set-Aside Requirement	186,997	186,997	373,994
Qualifying Disbursements	(152,356)	(106,556)	(258,912)
Total	<u>\$ 57,201</u>	<u>\$ (17,791)</u>	<u>\$ 39,410</u>
Balance Carried Forward to FY 2007	<u>\$ 57,201</u>	<u>\$ (17,791)</u>	<u>\$ 39,410</u>

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Rootstown Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rootstown Local School District (the District), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 24, 2007. For the fiscal year ended June 30, 2006, the District adopted Governmental Accounting Standards Board Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", Governmental Accounting Standards Board Statement No. 46, "Net Assets Restricted by Enabling Legislation", and Governmental Accounting Standards Board Statement No. 47, "Accounting for Termination Benefits." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as finding 2006-001 to be a significant deficiency in internal control over financial reporting.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider finding 2006-001 to be a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as finding 2006-002

We noted certain matters that we reported to management of the District in a separate letter dated August 24, 2007.

Rootstown Local School District's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses and accordingly, we express no opinion on it.

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

August 24, 2007

ROOTSTOWN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

1. VOCATIONAL EDUCATION REPORTING

Finding 2006-001

Ohio Administrative Code, Rule 3301-61-16 states that “career-technical education addition weighted cost funds and career-technical education associated service costs shall only be expanded on career-technical programs and services.

The District did not code qualifying disbursements when they were made. The District summarized eligible costs for us during the audit, however, there wasn’t sufficient documentation to support the costs incurred.

We recommend that the District adopt methods to code qualifying disbursements when they are made rather than summarizing eligible costs only after year end. We also recommend the District obtain adequate knowledge of eligible and ineligible costs by persons assigned to code/post disbursements, periodic supervisory review of transactions posted, and analysis of progress towards spending certified funds, comparing amounts entered on a spreadsheet, if utilized, to amounts posted to the USAS system. We also recommend that the District maintain sufficient supporting documentation for qualifying expenditures.

Corrective Action: Contact Person: Andrew Hawkins, Superintendent

The District will separately code qualifying disbursements when made rather than at the end of the year.

Finding 2006-002

Per Ohio Administrative Code, Rule 3301-61-16, vocational extended programming means vocational programming that provides graduation credits to enrolled students, is based on locally approved courses of study, and occurs beyond the regular school year. Also per Rule 3301-61-16, professional development costs for career-technical educators is an eligible expenditure, but does not include expenditures required to meet basic teacher licensing requirements.

During the testing of vocational education weighted funding, the qualifying expenditures were not easily identifiable or sufficiently documented. The District received \$17,820.41 in vocational education weighted cost finding. They spent \$18,522.97 which included \$7,314.87 in vocational education extended programming and \$2,169.18 for professional development. The District was unable to provide sufficient documentation to support the \$7,314.87 and the \$2,169.18. We were also unable to perform alternative procedures to satisfy the disbursements.

Corrective Action: Contact Person: Andrew Hawkins, Superintendent

All District vocational education expenditures will be reviewed, by the appropriate personnel, to determine eligibility of the expenditures.



Mary Taylor, CPA
Auditor of State

ROOTSTOWN LOCAL SCHOOL DISTRICT

PORTAGE 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 20, 2007**