



Dave Yost • Auditor of State



**ROOTSTOWN LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund.....	22
Statement of Fiduciary Net Position Fiduciary Funds .....	23
Statement of Changes in Fiduciary Net Position Fiduciary Funds .....	24
Notes to the Basic Financial Statements .....	25
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability .....	57
Schedule of District Contributions .....	58
Schedule of Federal Awards Receipts and Expenditures.....	61
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	62
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	63
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	65
Schedule of Findings.....	67

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Rootstown Local School District  
Portage County  
4140 State Route 44  
Rootstown, Ohio 44272

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rootstown Local School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **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 Rootstown Local School District, Portage County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 16, 2016

**This page intentionally left blank.**



**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

---

---

The discussion and analysis of the Rootstown Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Net position increased \$0.2 million over fiscal year 2014.
- Capital assets increased \$13,503 during fiscal year 2015.
- During the fiscal year, outstanding notes decreased from \$150,000 to \$100,000 due to principal payments made by the School District.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by \$15.7 million.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Rootstown Local School District as a whole operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Rootstown Local School District, the general fund and the permanent improvement fund are the most significant funds.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

---

---

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain 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 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 position and changes in net position. This change in net position 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 Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, (e.g. food service operations).

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

*Fund Financial Statements*

The major funds financial statements begin on page 18. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of 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 the permanent improvement fund.

***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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in three agency funds. The School District's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Because of the discussion below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows of resources and subtracting deferred outflows of resources related to pension and the net pension liability to the reported net position. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

**Table 1**  
**Net Position**

	Governmental Activities	
	2015	Restated 2014
<b>Assets</b>		
Current and Other Assets	\$ 9,672,465	\$ 9,328,090
Capital Assets	2,926,121	2,912,618
<i>Total Assets</i>	12,598,586	12,240,708
<b>Deferred Outflows of Resources</b>		
Pension	1,030,063	845,185
<b>Liabilities</b>		
Other Liabilities	1,253,684	1,315,652
Long-Term Liabilities:		
Due Within One Year	83,788	84,459
Due in More Than One Year:		
Net Pension Liability	13,944,722	16,566,662
Other Amounts	406,576	446,263
<i>Total Liabilities</i>	15,688,770	18,413,036

(continued)

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

	<u>Governmental Activities</u>	
<b>Deferred Inflows of Resources</b>		
Property Taxes	5,345,437	4,782,212
Pension	2,517,812	0
<i>Total Deferred Inflows of Resources</i>	<u>7,863,249</u>	<u>4,782,212</u>
<b>Net Position</b>		
Net Investment in Capital Assets	2,826,121	2,762,618
Restricted	1,132,338	1,088,110
Unrestricted	(13,881,829)	(13,960,083)
<i>Total Net Position</i>	<u>\$ (9,923,370)</u>	<u>\$ (10,109,355)</u>

During 2015, the School District adopted Government Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, and GASB Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

---

---

by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$5.6 million to a deficit of \$10.1 million.

At year-end, capital assets represented 23 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, and library and textbooks. Net investment in capital assets was \$2.8 million at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1.1 million represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$13.9 million, which was primarily caused by the implementation of GASB 68.

Current and other assets increased \$0.3 million over fiscal year 2014. There was a \$0.3 million increase in cash over fiscal year 2014 partially due to an increase in foundation revenue.

The net pension liability decreased \$2.6 million from fiscal year 2014. Deferred inflows for property taxes increased \$0.6 million over fiscal year 2014 due to a decrease in the taxes available for advance at fiscal year end and deferred inflows related to pension increased due to the implementation of GASB 68.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2015	2014
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 805,521	\$ 688,978
Operating Grants	1,124,922	1,129,845
<b>Total Program Revenues</b>	<b>1,930,443</b>	<b>1,818,823</b>
<i>General Revenues:</i>		
Property Taxes	5,443,507	6,443,165
Grants and Entitlements Not Restricted	5,434,554	5,073,556
Other	51,021	41,051
<b>Total General Revenues</b>	<b>10,929,082</b>	<b>11,557,772</b>
<b>Total Revenues</b>	<b>12,859,525</b>	<b>13,376,595</b>
<b>Program Expenses</b>		
Instruction:		
Regular	5,081,211	4,978,347
Special	1,836,126	1,676,081
Vocational	155,518	151,234
Student Intervention Services	37,504	29,450
Other	1,071,768	957,869
Support Services:		
Pupils	459,763	493,219
Instructional Staff	267,360	253,120
Board of Education	32,515	30,365
Administration	789,860	780,403
Fiscal	371,870	378,611
Business	12,960	11,718
Operation and Maintenance of Plant	1,042,983	962,063
Pupil Transportation	771,469	790,981
Central	7,422	4,160
Operation of Non-Instructional Services:		
Food Service Operations	354,285	348,364
Community Services	0	17,399
Extracurricular Activities	377,337	357,003
Interest and Fiscal Charges	3,589	4,894
<b>Total Expenses</b>	<b>12,673,540</b>	<b>12,225,281</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 185,985</b>	<b>\$ 1,151,314</b>

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

---

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$845,185 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$609,858. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$	12,673,540
Pension expense under GASB 68		(609,858)
2015 contractually required contribution		898,864
Adjusted 2015 program expenses		12,962,546
Total 2014 program expenses under GASB 27		12,225,281
Increase in program expenses not related pension	\$	737,265

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Net position increased \$0.2 million during fiscal year 2014.

In total, revenues decreased \$0.5 million from fiscal year 2014 from a decrease in general revenues. Property tax revenue decreased \$1.0 million mainly from a decrease in taxes available for advance at fiscal year end which are recorded as revenue, which was partially offset by an increase in foundation revenue of over \$0.4 million.

Total expenses not related to pension increased \$0.7 million over fiscal year 2014 mainly in instructional expenses. This can be partially attributed to an increase in special education excess costs and annual increases in salaries and benefits.

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.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
<b>Instruction:</b>				
Regular	\$ 5,081,211	\$ 4,978,347	\$ 4,437,708	\$ 4,331,125
Special	1,836,126	1,676,081	1,152,470	1,044,090
Vocational	155,518	151,234	74,939	127,385
Student Intervention Services	37,504	29,450	37,504	28,566
Other	1,071,768	957,869	1,071,768	957,869
<b>Support Services:</b>				
Pupils	459,763	493,219	459,763	491,469
Instructional Staff	267,360	253,120	255,338	219,644
Board of Education	32,515	30,365	32,515	29,691
Administration	789,860	780,403	787,805	780,403
Fiscal	371,870	378,611	364,430	376,571
Business	12,960	11,718	12,960	11,718
Operation and Maintenance of Plant	1,042,983	962,063	1,042,983	962,063
Pupil Transportation	771,469	790,981	742,929	790,981
Central	7,422	4,160	7,422	4,160
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	354,285	348,364	(38,096)	(29,492)
Community Services	0	17,399	0	(6)
Extracurricular Activities	377,337	357,003	297,070	275,327
Interest and Fiscal Charges	3,589	4,894	3,589	4,894
<b>Total Expenses</b>	<b>\$ 12,673,540</b>	<b>\$ 12,225,281</b>	<b>\$ 10,743,097</b>	<b>\$ 10,406,458</b>

The dependence upon general revenues for governmental activities is apparent. Almost 85 percent of governmental activities are supported through taxes and other general revenues; such revenues are 85 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District's students.

***Governmental Funds***

Information about the School District's funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12.9 million and expenditures of \$13.0 million for fiscal year 2015. The net change in fund balance for the fiscal year was a decrease of \$0.1 million for all governmental funds with the most significant decrease in the general fund.



**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

---

---

The general fund's net change in fund balance for fiscal year 2015 was a decrease of \$0.2 million. Revenues in fiscal year 2015 decreased \$0.4 million over the prior year primarily due to a decrease in tax revenue available for advance at the end of the fiscal year which was offset by an increase in intergovernmental revenue of \$0.5 million. Expenditures in fiscal year 2015 increased \$0.8 million, mainly in regular and special instruction due to increases in salaries and benefits.

The permanent improvement fund's net change in fund balance for fiscal year 2015 was an increase of \$31,537. Expenditures in fiscal year 2015 decreased \$0.1 million from the prior year. Capital outlay decreased \$0.1 million due to capital outlay expenditures in the prior year for bleacher replacement while operation and maintenance showed expenditures increased due to repairs made during the year.

***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 2015, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was \$12.1 million, which was lower than the final budget basis revenue by \$9,584.

Original budget basis revenue of \$11.1 million was \$1.0 million lower than final budget basis revenue of \$12.1 million. This was mainly due to an underestimation of intergovernmental revenue.

Final expenditure appropriations of \$13.1 were estimated \$1.0 million higher than the actual expenditures of \$12.1 million, primarily in regular instruction.

Original and final budget expenditure appropriations were \$11.6 million and \$13.1 million, respectively.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

**Capital Assets**

At the end of fiscal year 2015, the School District had \$2.9 million invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 779,700	\$ 779,700
Land Improvements	458,954	397,107
Buildings and Improvements	1,255,058	1,307,412
Furniture and Equipment	154,154	164,510
Vehicles	278,255	263,889
<i>Totals</i>	<u>\$ 2,926,121</u>	<u>\$ 2,912,618</u>

The \$13,503 increase in capital assets was attributable to additional purchases exceeding current depreciation and disposals. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2015, the School District had \$100,000 in debt outstanding. See Note 13 for additional details. Table 5 summarizes the note outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2015	2014
Energy Conservation Note, Series 2012	<u>\$ 100,000</u>	<u>\$ 150,000</u>

**Current Issues**

It is evident that the Rootstown Local School District relies heavily on its property owners for support. In today's economic 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. 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.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

---

---

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 taxes and a decline in the State Foundation, the School District must request property tax increases to maintain a constant level of service.

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.

The School District anticipates being on the ballot for a bond issue within the next several years, contingent on moving forward with the master plan.

***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 Connie Baldwin, Treasurer of Rootstown Local School District, 4140 State Route 44, Rootstown, OH 44272 or [baldwin@rootstownparcc.org](mailto:baldwin@rootstownparcc.org).

**Rootstown Local School District**  
**Portage County, Ohio**  
*Statement of Net Position*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 3,400,059
Receivables:	
Intergovernmental	109,794
Property Taxes	6,162,612
Nondepreciable Capital Assets	779,700
Depreciable Capital Assets (Net)	2,146,421
<i>Total Assets</i>	12,598,586
<b>Deferred Outflows of Resources</b>	
Pension	1,030,063
<b>Liabilities</b>	
Accounts Payable	17,832
Accrued Wages and Benefits	968,196
Intergovernmental Payable	223,556
Accrued Vacation Leave Payable	44,100
Long Term Liabilities:	
Due Within One Year	83,788
Due In More Than One Year:	
Net Pension Liability (See Note 10)	13,944,722
Other Amounts Due in More Than One Year	406,576
<i>Total Liabilities</i>	15,688,770
<b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	5,345,437
Pension	2,517,812
<i>Total Deferred Inflows of Resources</i>	7,863,249
<b>Net Position</b>	
Net Investment in Capital Assets	2,826,121
Restricted For:	
Capital Outlay	700,948
Debt Service	26,307
Other Purposes	405,083
Unrestricted	(13,881,829)
<i>Total Net Position</i>	\$ (9,923,370)

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 5,081,211	\$ 455,629	\$ 187,874	\$ (4,437,708)
Special	1,836,126	44,265	639,391	(1,152,470)
Vocational	155,518	7,587	72,992	(74,939)
Student Intervention Services	37,504	0	0	(37,504)
Other	1,071,768	0	0	(1,071,768)
Support Services:				
Pupils	459,763	0	0	(459,763)
Instructional Staff	267,360	4,558	7,464	(255,338)
Board of Education	32,515	0	0	(32,515)
Administration	789,860	779	1,276	(787,805)
Fiscal	371,870	2,040	5,400	(364,430)
Business	12,960	0	0	(12,960)
Operation and Maintenance of Plant	1,042,983	0	0	(1,042,983)
Pupil Transportation	771,469	0	28,540	(742,929)
Central	7,422	0	0	(7,422)
Operation of Non-Instructional Services:				
Food Service Operations	354,285	213,496	178,885	38,096
Extracurricular Activities	377,337	77,167	3,100	(297,070)
Interest and Fiscal Charges	3,589	0	0	(3,589)
<b>Total</b>	<b>\$ 12,673,540</b>	<b>\$ 805,521</b>	<b>\$ 1,124,922</b>	<b>(10,743,097)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	5,102,025
Debt Service	52,937
Capital Outlay	288,545
Grants and Entitlements Not Restricted to Specific Programs	5,434,554
Investment Earnings	376
Miscellaneous	50,645

*Total General Revenues*

10,929,082

*Change in Net Position*

185,985

*Net Position Beginning of Year, Restated (See Note 2R)*

(10,109,355)

*Net Position End of Year*

\$ (9,923,370)

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 2,272,800	\$ 661,338	\$ 465,921	\$ 3,400,059
Receivables:				
Interfund	6,532	0	0	6,532
Intergovernmental	52,630	0	57,164	109,794
Property Taxes	5,794,624	316,356	51,632	6,162,612
<i>Total Assets</i>	<u>\$ 8,126,586</u>	<u>\$ 977,694</u>	<u>\$ 574,717</u>	<u>\$ 9,678,997</u>
<b>Liabilities</b>				
Accounts Payable	\$ 16,527	\$ 0	\$ 1,305	\$ 17,832
Accrued Wages and Benefits	908,889	0	59,307	968,196
Intergovernmental Payable	212,180	0	11,376	223,556
Interfund Payable	0	0	6,532	6,532
<i>Total Liabilities</i>	<u>1,137,596</u>	<u>0</u>	<u>78,520</u>	<u>1,216,116</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Fiscal Year	5,020,059	273,746	51,632	5,345,437
Unavailable Revenue - Delinquent Property Taxes	179,137	9,817	0	188,954
Unavailable Revenue - Other	30,356	0	24,946	55,302
<i>Total Deferred Inflows of Resources</i>	<u>5,229,552</u>	<u>283,563</u>	<u>76,578</u>	<u>5,589,693</u>
<b>Fund Balances</b>				
Restricted	0	691,131	445,005	1,136,136
Committed	0	3,000	0	3,000
Assigned	1,584,812	0	0	1,584,812
Unassigned	174,626	0	(25,386)	149,240
<i>Total Fund Balances</i>	<u>1,759,438</u>	<u>694,131</u>	<u>419,619</u>	<u>2,873,188</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 8,126,586</u>	<u>\$ 977,694</u>	<u>\$ 574,717</u>	<u>\$ 9,678,997</u>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2015*

<b>Total Governmental Fund Balances</b>		\$ 2,873,188
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,926,121
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 188,954	
Intergovernmental	<u>55,302</u>	244,256
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,030,063	
Deferred Inflows - Pension	(2,517,812)	
Net Pension Liability	<u>(13,944,722)</u>	<u>(15,432,471)</u>
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Energy Conservation Notes	(100,000)	
Vacation Benefits	(44,100)	
Compensated Absences	<u>(390,364)</u>	<u>(534,464)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ (9,923,370)</u></u>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 5,168,926	\$ 291,507	\$ 52,937	\$ 5,513,370
Intergovernmental	5,918,664	52,161	544,915	6,515,740
Investment Income	376	0	38	414
Tuition and Fees	495,802	0	0	495,802
Extracurricular Activities	0	0	77,167	77,167
Rentals	2,040	0	0	2,040
Charges for Services	0	3,100	213,496	216,596
Contributions and Donations	35,594	0	0	35,594
Miscellaneous	48,804	0	1,840	50,644
<i>Total Revenues</i>	<u>11,670,206</u>	<u>346,768</u>	<u>890,393</u>	<u>12,907,367</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,971,707	38,667	156,186	5,166,560
Special	1,655,826	2,580	204,637	1,863,043
Vocational	159,831	0	0	159,831
Student Intervention Services	37,504	0	0	37,504
Other	1,073,558	0	0	1,073,558
Support Services:				
Pupils	473,531	0	0	473,531
Instructional Staff	273,883	0	0	273,883
Board of Education	32,895	0	0	32,895
Administration	808,264	1,182	0	809,446
Fiscal	368,129	4,788	1,398	374,315
Business	13,129	0	0	13,129
Operation and Maintenance of Plant	992,020	52,693	1,326	1,046,039
Pupil Transportation	690,775	85,981	0	776,756
Central	7,422	0	0	7,422
Extracurricular Activities	265,216	0	98,206	363,422
Operation of Non-Instructional Services:				
Food Service Operations	0	0	356,295	356,295
Capital Outlay	0	129,340	0	129,340
Debt Service:				
Principal Retirement	0	0	50,000	50,000
Interest and Fiscal Charges	0	0	3,589	3,589
<i>Total Expenditures</i>	<u>11,823,690</u>	<u>315,231</u>	<u>871,637</u>	<u>13,010,558</u>
<i>Net Change in Fund Balance</i>	(153,484)	31,537	18,756	(103,191)
<i>Fund Balances Beginning of Year</i>	<u>1,912,922</u>	<u>662,594</u>	<u>400,863</u>	<u>2,976,379</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,759,438</u>	<u>\$ 694,131</u>	<u>\$ 419,619</u>	<u>\$ 2,873,188</u>

See accompanying notes to the basic financial statements.



**Rootstown Local School District**  
**Portage County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(103,191)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 capital asset additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 200,471	
Current Year Depreciation	<u>(186,968)</u>	13,503
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(69,863)	
Intergovernmental	<u>22,021</u>	(47,842)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		50,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		898,864
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(609,858)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(9,642)	
Vacation Benefits Payable	<u>(5,849)</u>	<u>(15,491)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>185,985</u></u>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 5,734,801	\$ 5,616,110	\$ 5,611,641	\$ (4,469)
Intergovernmental	5,125,972	5,923,381	5,918,664	(4,717)
Investment Income	149	348	376	28
Tuition and Fees	191,184	483,664	483,279	(385)
Rentals	807	2,040	2,040	0
Contributions and Donations	4,039	10,219	10,211	(8)
Miscellaneous	16,416	41,529	41,496	(33)
<i>Total Revenues</i>	<u>11,073,368</u>	<u>12,077,291</u>	<u>12,067,707</u>	<u>(9,584)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,135,752	5,767,201	5,026,925	740,276
Special	1,545,606	1,765,436	1,775,224	(9,788)
Vocational	156,893	177,093	163,123	13,970
Student Intervention Services	33,330	37,944	37,258	686
Other	1,317,775	1,452,516	1,088,093	364,423
Support Services:				
Pupils	464,339	524,948	489,441	35,507
Instructional Staff	183,211	216,266	266,934	(50,668)
Board of Education	34,016	38,120	33,143	4,977
Administration	714,747	818,074	834,409	(16,335)
Fiscal	370,017	418,929	394,982	23,947
Business	17,970	19,591	13,091	6,500
Operation and Maintenance of Plant	678,924	806,047	1,026,573	(220,526)
Pupil Transportation	719,135	806,035	701,757	104,278
Central	9,672	10,591	7,422	3,169
Extracurricular Activities	253,118	286,262	267,643	18,619
<i>Total Expenditures</i>	<u>11,634,505</u>	<u>13,145,053</u>	<u>12,126,018</u>	<u>1,019,035</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(561,137)</u>	<u>(1,067,762)</u>	<u>(58,311)</u>	<u>1,009,451</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	(6,532)	(6,532)	(6,532)	0
<i>Net Change in Fund Balance</i>	(567,669)	(1,074,294)	(64,843)	1,009,451
<i>Fund Balance Beginning of Year</i>	1,799,416	1,799,416	1,799,416	0
Prior Year Encumbrances Appropriated	176,264	176,264	176,264	0
<i>Fund Balance End of Year</i>	<u>\$ 1,408,011</u>	<u>\$ 901,386</u>	<u>\$ 1,910,837</u>	<u>\$ 1,009,451</u>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 47,329	\$ 29,921
<b>Liabilities</b>		
Undistributed Monies	0	\$ 29,921
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 47,329	

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Private Purpose Trust
<b>Additions</b>	
Investment Earnings	\$ 3,052
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	2,007
<i>Change in Net Position</i>	1,045
<i>Net Position Beginning of Year</i>	46,284
<i>Net Position End of Year</i>	\$ 47,329

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**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.

***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 14 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.

The following are the most significant of the School District's accounting policies.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 Position 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 Position 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 between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Permanent Improvement 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 to which the School District is bound to observe constraints imposed upon the use of the resources.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. 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 funds and agency funds. The School District's private purpose trust-scholarship funds account for memorial scholarships. The School District's agency funds account for student activities and employee flex spending accounts.

***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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

***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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 inflows of resources, and in the presentation of expenses versus expenditures.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***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 6). 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 Inflows of Resources and Deferred Outflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).



**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***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 on the statement of activities as an expense with a like amount reported within the “operating grants, contributions and interest” 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.

***E. Pooled Cash and Investments***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund’s interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2015, investments of the School District were limited to STAR Ohio (the State Treasury Asset Reserve of Ohio) and mutual funds.

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2015.

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 2015 amounted to \$376, which includes \$102 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 reported as “equity in pooled cash and investments.” 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 capital improvements. See Note 16 for additional information regarding set-asides.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***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 Position 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 \$5,000. 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:

<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 Position.

***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.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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.

***J. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***K. 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 and compensated absences 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.

***L. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as 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. At June 30, 2015, there was no net position restricted by enabling legislation.

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

***M. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has, by resolution, authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***N. Interfund Activity***

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

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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.

***O. 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 year 2015.

***P. Estimates***

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

***Q. 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 School District by March 1. As part of the certification, the School District receives the Official Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School 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 or will not meet 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 2015.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**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 legal 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 appropriations 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.

***R. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	\$	5,612,122
Adjustments:		
Net Pension Liability		(16,566,662)
Deferred Outflow - Payments Subsequent to Measurement Date		845,185
Restated Net Position, July 1, 2014	\$	<u>(10,109,355)</u>

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 3 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Capital Outlay	\$ 0	\$ 691,131	\$ 0	\$ 691,131
Food Service	0	0	394,665	394,665
Debt Service	0	0	26,307	26,307
Athletics	0	0	16,237	16,237
Other Purposes	0	0	7,796	7,796
Total Restricted	<u>0</u>	<u>691,131</u>	<u>445,005</u>	<u>1,136,136</u>
Committed to:				
Athletic Facilities	0	3,000	0	3,000
Assigned for:				
Encumbrances:				
Instruction	196,963	0	0	196,963
Support Services	91,970	0	0	91,970
Subsequent Year Appropriations	1,230,569	0	0	1,230,569
Other Purposes	65,310	0	0	65,310
Total Assigned	<u>1,584,812</u>	<u>0</u>	<u>0</u>	<u>1,584,812</u>
Unassigned	<u>174,626</u>	<u>0</u>	<u>(25,386) *</u>	<u>149,240</u>
Total Fund Balance	<u>\$ 1,759,438</u>	<u>\$ 694,131</u>	<u>\$ 419,619</u>	<u>\$2,873,188</u>

\* Unassigned fund balance included the following individual fund deficits:

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Funds:	
Title VI-B	\$ 15,276
Title I	10,110

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

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance 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 - 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 and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures and other uses 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 an assignment, commitment or restriction of fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

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:



**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Net Change in Fund Balance**

	General Fund
GAAP Basis	\$ (153,484)
Net Adjustment for Revenue Accruals	460,287
Net Adjustment for Expenditure Accruals	(61,699)
Funds Budgeted Elsewhere **	(15,573)
Adjustment for Encumbrances	(294,374)
Budget Basis	\$ (64,843)

\*\*As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate funds are considered part of the general fund on a GAAP basis. This includes special rotary fund, public school support fund and uniform school supplies fund.

**Note 5 – 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the 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 uninsured 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:

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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 any 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 in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and 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 (STAR Ohio) and STAR Plus;
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note 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 School District's deposits may not be returned to it. Protection of the School District's 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 uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$3,405,150 and the bank balance was \$3,468,010. Of the bank balance, \$429,738 was covered by federal depository insurance and \$3,038,272 was exposed to custodial credit risk as discussed above. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Investments** As of June 30, 2015, the School District had the following investments:

	Fair Value	Investment Maturities 0-6 months	Percent of Total Investments
Mutual Funds	\$ 12,298	\$ 12,298	17%
STAR Ohio	59,861	59,861	83%
Totals	\$ 72,159	\$ 72,159	100%

**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. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015 is 53 days.

**Credit Risk:** The School District’s investments at June 30, 2015 include mutual funds and STAR Ohio, which is rated AAAM by Standard & Poor’s. The mutual fund accounts 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. See the percentages in the table above.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District’s name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The School District’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Note 6 - 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.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Portage County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general and permanent improvement funds were \$595,428 and \$32,793, respectively. The amount available for advance at June 30, 2014, in the general and permanent improvement funds were \$1,038,143 and \$57,253, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 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 inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 162,428,960	93.88%	\$ 161,845,790	92.25%
Public Utility Personal Property	10,593,010	6.12%	13,589,280	7.75%
Total	<u>\$173,021,970</u>	<u>100.00%</u>	<u>\$175,435,070</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$68.71		\$68.59	

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 7 - Receivables**

Receivables at June 30, 2015 consisted of taxes, interfund and intergovernmental grants. 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.

**Note 8 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 779,700	\$ 0	\$ 0	\$ 779,700
<i>Capital Assets, being depreciated:</i>				
Land Improvements	835,335	97,275	0	932,610
Buildings and Improvements	5,131,187	14,732	0	5,145,919
Furniture and Equipment	1,081,676	9,078	0	1,090,754
Vehicles	1,154,294	79,386	0	1,233,680
Library and Textbooks	349,706	0	(145,721)	203,985
<b>Total Capital Assets, being depreciated</b>	<b>8,552,198</b>	<b>200,471</b>	<b>(145,721)</b>	<b>8,606,948</b>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(438,228)	(35,428)	0	(473,656)
Buildings and Improvements	(3,823,775)	(67,086)	0	(3,890,861)
Furniture and Equipment	(917,166)	(19,434)	0	(936,600)
Vehicles	(890,405)	(65,020)	0	(955,425)
Library and Textbooks	(349,706)	0	145,721	(203,985)
<b>Total Accumulated Depreciation</b>	<b>(6,419,280)</b>	<b>(186,968)</b>	<b>145,721</b>	<b>(6,460,527)</b>
<b>Total Capital Assets being depreciated, Net</b>	<b>2,132,918</b>	<b>13,503</b>	<b>0</b>	<b>2,146,421</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$2,912,618</b>	<b>\$ 13,503</b>	<b>\$ 0</b>	<b>\$2,926,121</b>

Depreciation expense was charged to governmental functions as follows:

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

*Governmental Activities:*

Instruction:	
Regular	\$ 77,869
Vocational	284
Support Services:	
Pupil	159
Instructional Staff	123
Operation and Maintenance of Plant	1,153
Pupil Transportaion	83,631
Operation of Non-Instructional Services:	
Food Service Operations	1,959
Extracurricular Activities	21,790
Total Depreciation	\$ 186,968

**Note 9 – 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 Liberty Mutual Insurance. The deductible for the property insurance is \$2,500. The deductibles for the fleet insurance vary from \$250 to \$1,000 depending on the incident. The School District also holds a liability insurance policy with Hylant Insurance Agency through the Ohio School Plan consortium. The deductibles range from \$0 to \$2,500. The board president and superintendent have a \$74,500 position bond and the assistant treasurer has a \$50,000 position bond with Travelers 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 per \$100 of salaries. This rate is 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 \$1,311.06 for administrative and certified staff and \$1,236.74 for classified staff. Monthly single premiums are \$519.06 for administrative and certified staff and \$490.52 for classified staff. All employees are required to contribute 10 percent towards the premiums, and have a cap of \$125 for family coverage.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

Dental coverage is provided as a comprehensive major medical plan through Mutual Health Services, Inc. Monthly premiums are \$87.05 for family coverage and \$38.87 for single coverage. With this last negotiation this summer, employees now have to pay 10 percent of this premium.

Vision coverage in the amount of \$8.03 is available for administrative and classified employees who work 12 months.

**Note 10 – Pension Plans**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$234,889 for fiscal year 2015. Of this amount \$41,311 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues



**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$663,975 for fiscal year 2015. Of this amount \$111,704 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 11,212,926	\$ 2,731,796	\$ 13,944,722
Proportion of the Net Pension Liability	0.04609922%	0.05397800%	
Pension Expense	\$ 433,626	\$ 176,232	\$ 609,858

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 107,949	\$ 23,250	\$ 131,199
School District contributions subsequent to the measurement date	663,975	234,889	898,864
Total Deferred Outflows of Resources	<u>\$ 771,924</u>	<u>\$ 258,139</u>	<u>\$ 1,030,063</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,074,434</u>	<u>\$ 443,378</u>	<u>\$ 2,517,812</u>

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

\$898,864 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	\$ (491,621)	\$ (105,032)	\$ (596,653)
2017	(491,621)	(105,032)	(596,653)
2018	(491,621)	(105,032)	(596,653)
2019	(491,622)	(105,032)	(596,654)
	\$ (1,966,485)	\$ (420,128)	\$ (2,386,613)

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 3,897,461	\$ 2,731,796	\$ 1,751,371

**Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 16,052,526	\$ 11,212,926	\$ 7,120,253

**Note 11 - Postemployment Benefits**

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

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$37,658, \$25,410 and \$25,983, respectively. For fiscal year 2015, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$46,998 ,and \$47,419, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 12 – Other Employee Benefits**

***A. Life Insurance***

The School District provides term life insurance to employees through Mutual Health Services, Inc. for all eligible employees. Term life insurance is provided for administrative staff based upon double the employee's annual salary and the premium is \$.09 per \$1,000 of salaries. Term life insurance in the amount of \$25,000 is provided for the nine-month certified staff at a monthly rate of \$2.25 per employee. Term life insurance in the amount of \$20,000 is provided for classified staff that meet the nine-month contract and twenty or more hours per week requirement at a monthly rate of \$1.80.

***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.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-quarter days per month accumulated without limit. Upon retirement, certified employees with 10 years or more of service to the School District may receive thirty percent of accrued and unused sick leave, up to a maximum of 40 days. Classified employee benefits are as follows:

- At least 10 but less than 20 years of continuous service with the School District will receive 30 percent of accrued and unused sick leave, up to a maximum of 40 days.
- Greater than 20 but less than 25 years of continuous service with the School District will receive 35 percent of accrued and unused sick leave, up to a maximum of 45 days.
- 25 or more years of continuous service with the School District will receive 40 percent of accrued and unused sick leave, up to a maximum of 50 days.

***C. Special Termination Benefits***

Certified employees meeting the requirements included in the negotiated agreement and the provisions of the retirement system, receive a salary incentive when they retire from active service in the amount of \$15,000.

Eligibility requirements for participation in this program are as follows:

1. The employee must be eligible for retirement and retire by August first.
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 of service credit for retirement purposes. After that time, the employee would be ineligible for the retirement incentive plan.

This space intentionally left blank



**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 13 - Long - Term Obligations**

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

	Restated Outstanding 6/30/2014	Additions	Reductions	Outstanding 6/30/2015	Amounts Due in One Year
<b>Governmental Activities:</b>					
Energy Conservation Note, Series 2012	\$ 150,000	\$ 0	\$ 50,000	\$ 100,000	\$ 50,000
Net Pension Liability:					
STRS	13,356,764	0	2,143,838	11,212,926	0
SERS	3,209,898	0	478,102	2,731,796	0
Total Net Pension Liability	16,566,662	0	2,621,940	13,944,722	0
Compensated Absences	380,722	12,190	2,548	390,364	33,788
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 17,097,384</u>	<u>\$ 12,190</u>	<u>\$ 2,674,488</u>	<u>\$ 14,435,086</u>	<u>\$ 83,788</u>

*2012 Energy Conservation Note*

In fiscal year 2012, the School District issued \$250,000 in Energy Conservation Notes at an interest rate of 2.61 percent to pay costs of installations, modifications and remodeling of school buildings to conserve energy.

Unless paid from other sources, the principal and interest on the notes is to be paid from the proceeds of the levy of ad valorem taxes on all property in the School District from the debt service fund.

Principal and interest requirements to retire the Energy Conservation Note outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note	
	Principal	Interest
2016	\$ 50,000	\$ 2,284
2017	50,000	979
	<u>\$ 100,000</u>	<u>\$ 3,263</u>

Compensated absences will be paid from the general fund and respective funds from which the employees' salaries are paid. Obligations related to employee compensation will be paid from the fund benefitting from their service.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Note 14 - Jointly Governed Organizations**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 30 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 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 Educational Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the fiscal year ended June 30, 2015, the School District paid \$63,412 to SPARCC for basic service charges.

**Note 15 - 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect on the basic financial statements.

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 16 - 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 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 amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvement Reserve
Set-Aside Restricted Balance as of June 30, 2014	\$ 0
Current Year Set-Aside Requirement	209,462
Qualifying Expenditures	(299,764)
Total	\$ (90,302)
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set-Aside Restricted Balance June 30, 2015	\$ 0

Although the School District had current year qualifying expenditures during the fiscal year that reduced the set-aside amount to below zero, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is, therefore, not presented as being carried forward to future years.

**Note 17 – Encumbrance Commitments**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year-end, the School District’s commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General Fund	\$292,990
Permanent Improvement Fund	19,635
Nonmajor Governmental Funds	18,181
	\$330,806

**Rootstown Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Note 18 – Interfund Balances**

Interfund balances at June 30, 2015 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 6,532	\$ 0
Title VI-B	<u>0</u>	<u>6,532</u>
Totals	<u>\$ 6,532</u>	<u>\$ 6,532</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2015, all interfund loans outstanding are anticipated to be repaid in fiscal year 2016.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>		
School District's proportion of the net pension liability (asset)	0.04609922%	0.04609922%
School District's proportionate share of the net pension liability (asset)	\$ 11,212,926	\$ 13,356,764
School District's covered-employee payroll	\$ 4,699,838	\$ 4,741,885
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	238.58%	281.68%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
 <b><i>School Employees Retirement System (SERS)</i></b>		
School District's proportion of the net pension liability (asset)	0.05397800%	0.05397800%
School District's proportionate share of the net pension liability (asset)	\$ 2,731,796	\$ 3,209,898
School District's covered-employee payroll	\$ 1,689,798	\$ 1,727,262
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	161.66%	185.84%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

**Rootstown Local School District**  
**Portage County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 663,975	\$ 610,979	\$ 616,445	\$ 612,761
Contributions in Relation to the Contractually Required Contribution	<u>(663,975)</u>	<u>(610,979)</u>	<u>(616,445)</u>	<u>(612,761)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 4,742,679	\$ 4,699,838	\$ 4,741,885	\$ 4,713,546
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <b><i>School Employees Retirement System (SERS)</i></b>				
Contractually required contribution	\$ 234,889	\$ 234,206	\$ 239,053	\$ 221,922
Contributions in relation to the contractually required contribution	<u>(234,889)</u>	<u>(234,206)</u>	<u>(239,053)</u>	<u>(221,922)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 1,782,162	\$ 1,689,798	\$ 1,727,262	\$ 1,649,978
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 643,290	\$ 654,206	\$ 643,782	\$ 667,338	\$ 636,034	\$ 638,598
<u>(643,290)</u>	<u>(654,206)</u>	<u>(643,782)</u>	<u>(667,338)</u>	<u>(636,034)</u>	<u>(638,598)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,948,385	\$ 5,032,354	\$ 4,952,169	\$ 5,133,369	\$ 4,892,569	\$ 4,912,292
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 222,504	\$ 257,151	\$ 179,734	\$ 160,801	n/a	n/a
<u>(222,504)</u>	<u>(257,151)</u>	<u>(179,734)</u>	<u>(160,801)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 1,770,119	\$ 1,899,195	\$ 1,826,565	\$ 1,637,485	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

**This page intentionally left blank.**



**ROOTSTOWN LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2015**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Federal CFDA Number</b>	<b>Grant Year</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	2015	\$ 169,140	\$ 26,908	\$ 169,140	\$ 26,908
Total Child Nutrition Cluster			<u>169,140</u>	<u>26,908</u>	<u>169,140</u>	<u>26,908</u>
<b>Total U.S. Department of Agriculture</b>			<u>169,140</u>	<u>26,908</u>	<u>169,140</u>	<u>26,908</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I, Part A Cluster:						
Title I Grants to Local Education Agencies	84.010	2014	14,999	-	14,999	-
Title I Grants to Local Education Agencies	84.010	2015	111,549	-	110,680	-
Total Title I, Part A Cluster			<u>126,548</u>	<u>-</u>	<u>125,679</u>	<u>-</u>
Special Education Cluster:						
Special Education Grants to States, IDEA B	84.027	2014	29,070	-	29,400	-
Special Education Grants to States, IDEA B	84.027	2015	173,309	-	173,309	-
Total Special Education Cluster			<u>202,379</u>	<u>-</u>	<u>202,709</u>	<u>-</u>
Title IIA - Improving Teacher Quality State Grants	84.367	2015	30,467	-	30,467	-
Total Title IIA - Improving Teacher Quality State Grants			<u>30,467</u>	<u>-</u>	<u>30,467</u>	<u>-</u>
<i>Total U.S. Department of Education</i>			<u>359,394</u>	<u>-</u>	<u>358,855</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 528,534</u>	<u>\$ 26,908</u>	<u>\$ 527,995</u>	<u>\$ 26,908</u>

*The accompanying notes are an integral part of this schedule.*

**ROOTSTOWN LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Rootstown Local School District's (the District's) federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the Fair Market Value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

Rootstown Local School District  
Portage County  
4140 State Route 44  
Rootstown, Ohio 44272

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rootstown Local School District, Portage County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2016 wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding the matter.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***District's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 16, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Rootstown Local School District  
Portage County  
4140 State Route 44  
Rootstown, Ohio 44272

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Rootstown Local School District's, Summit County (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Rootstown Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Rootstown Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 16, 2016

**ROOTSTOWN LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster – Special Education Grants to States (IDEA, Part B) CFDA# 84.027
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2015-001**

**Significant Deficiencies – Budgetary Statements**

The Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements- And Management's Discussion and Analysis-For State and Local Governments* requires governments to provide budgetary comparison information in their annual reports for the general fund. The Statement of Revenue, Expenditure, and Changes in Fund Balance-Budget (Non GAAP) and Actual (budgetary statements) reported by the District provides the required budgetary comparison. For this comparison, the final budgeted expenditures should include all appropriations adopted by the District Board of Education during the fiscal year. Although budgeted expenditures were included within the budgetary statements for the General Fund, the compilation team inadvertently excluded \$1,510,585 of additional appropriations properly approved by the Board on June 25, 2015, which increased the total final appropriations for the fiscal year to \$13,151,585. As a result, the final budgetary expenditures on the budgetary statement were understated by the excluded amount and subsequently adjusted.

In order to help ensure proper reporting of the budgetary information, the District Treasurer should review the work performed by the compilation team and ensure all approved are properly reported within the budgetary statement.

**Official's Response:** "While ultimately the financial statements are the responsibility of the district, we relied upon the expertise of the GAAP auditors in compiling the financial statements. The appropriations were transmitted by the district to the compilation team in an accurate and timely fashion, as they had been submitted to the budget commission for certification at year end as required. The audit adjustment is the unfortunate result of a lack of oversight by the compilation team management. This district does not foresee this type of adjustment being required in the future."

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





# Dave Yost • 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  
APRIL 5, 2016**