

**ROOTSTOWN LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008*

**CONNIE BALDWIN, TREASURER**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Rootstown Local School District, Portage County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 3, 2009

**This Page is Intentionally Left Blank.**

**ROOTSTOWN LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**TABLE OF CONTENTS**

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	10
Statement of Activities .....	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	16
Statement of Fiduciary Net Assets - Fiduciary Funds .....	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	18
Notes to the Basic Financial Statements.....	19 - 39
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	40 - 41



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major funds and the aggregate remaining fund information of Rootstown Local School District, Portage County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Rootstown Local School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Rootstown Local School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major funds, and the aggregate remaining fund information of Rootstown Local School District, Portage County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of Rootstown Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Rootstown Local School District  
Page 2

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 5, 2008

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

---

The discussion and analysis of the Rootstown Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- General Revenues accounted for \$10.4 million in revenue or 87.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.5 million or 12.6% of total revenues of \$11.9 million.
- Total program expenses were \$12.3 million in Governmental Activities.
- In total, net assets of Governmental Activities decreased \$431,976 from 2007.
- Outstanding short-term debt of tax anticipation notes, decreased from \$600,000 to \$450,000 through the payment of note principal.
- The School District offered an early retirement incentive during the fiscal year resulting in an additional \$520,000 in expenses recognized.

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

---

The government-wide financial statements begin on page 10.

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

*Fund Financial Statements*

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

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

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statements begin on page 12.

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

The fiduciary fund financial statements begin on page 17.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19.

***The School District as a Whole***

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

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

---

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2008	Restated 2007
<b>Assets</b>		
Current and Other Assets	\$ 6,342,499	\$ 6,452,015
Capital Assets	2,496,993	2,486,833
Total Assets	8,839,492	8,938,848
<b>Liabilities</b>		
Long-Term Liabilities	897,213	381,825
Other Liabilities	6,655,106	6,837,874
Total Liabilities	7,552,319	7,219,699
<b>Net Assets</b>		
Invested in Capital	2,496,993	2,486,833
Restricted	536,867	330,442
Unrestricted (Deficit)	(1,746,687)	(1,098,126)
Total Net Assets	\$ 1,287,173	\$ 1,719,149

Total assets decreased by \$99,356. The decrease was primarily due to a decrease of \$101,278 in cash and cash equivalents. Total liabilities increased \$332,620. The increase was primarily due to an increase in long term liabilities of \$515,388. Long term liabilities increased due to an early retirement incentive package being paid out over a five year period.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal year 2008 as compared to fiscal year 2007.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2008	2007
<i>Revenues</i>		
<i>Program Revenues:</i>		
Charges for Services	\$ 618,553	\$ 570,885
Operating Grants	876,360	853,881
<i>General Revenue:</i>		
Property Taxes	5,010,016	5,110,237
Grants and Entitlements	5,243,736	4,976,587
Other	107,928	149,882
<i>Total Revenues</i>	11,856,593	11,661,472
<i>Program Expenses</i>		
Instruction	7,695,701	6,605,880
Support Services	3,855,903	3,741,513
Operation of Non-Instructional	22,088	44,510
Extracurricular Activities	322,398	415,336
Interest and Fiscal Charges	22,113	30,839
Food Services	343,211	381,507
Uniform School Supplies	27,155	23,941
<i>Total Expenses</i>	12,288,569	11,243,526
Increase (Decrease) in Net Assets	(431,976)	417,946
Net Assets Beginning of Year	1,719,149	1,301,203
Net Assets End of Year	\$ 1,287,173	\$ 1,719,149

Program expenses in governmental activities increased \$1,045,043. This increase was primarily from the recognition of expenses related to severance and early retirement incentive offered, both totaling \$681,784. Property tax revenues decreased \$100,221 as compared to 2007, which was a result of the phase out of tangible personal property taxes from H. B. 66 (see Note 7) and less real estate taxes were available as an advance at fiscal year end. These taxes available are recognized as revenues if available at June 30, 2008.

***Governmental Activities***

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of nearly \$11.9 million and expenses of nearly \$12.3 million.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

**(Table 3)**  
**Governmental Activities**

	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 7,695,701	\$ (6,800,960)	\$ 6,605,880	\$ (5,757,219)
Support Services:				
Pupil and Instructional Staff	875,651	(871,391)	882,458	(876,374)
Board of Education, Administration				
Fiscal and Business	1,169,572	(1,149,792)	1,151,527	(1,134,006)
Operation and Maintenance of Plant	1,029,956	(1,029,956)	988,591	(988,591)
Pupil Transportation and Central	780,724	(757,264)	718,937	(699,318)
Operation of Non-Instructional Services	22,088	(13,088)	44,510	(32,810)
Extracurricular Activities	322,398	(227,682)	415,336	(326,933)
Interest Charges	22,113	(22,113)	30,839	(30,839)
Food Service Operations	343,211	77,575	381,507	26,410
Uniform Supplies	27,155	1,015	23,941	920
Total	<u>\$ 12,288,569</u>	<u>\$ (10,793,656)</u>	<u>\$ 11,243,526</u>	<u>\$ (9,818,760)</u>

Instruction and Student Support Services comprise 70% of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 14.6% of governmental program expenses.

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

***The School District's Funds***

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11.8 million and expenditures of \$11.8 million. The net change in fund balance for the year was most significant in the general fund, with a decrease of \$201,868. The general fund decrease was primarily caused by a result of expenses exceeding revenues, as operating levy revenues were unable to keep pace with increased operating costs.

***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 2008, there were minor changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue was approximately \$10.3 million, \$.4 million over the original budget estimates of approximately \$9.9 million. The primary cause of this variance was due to higher than projected receipts of intergovernmental revenues and tax collections.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008

Final appropriations of approximately \$10.8 million were \$.9 million higher than the approximately \$9.9 million original budget and \$.2 million above actual fiscal year 2008 expenditures. There were no individually significant programs provided by the School District that were the cause to these reasonable variances.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2008, the School District had \$2.5 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared with 2007 net of depreciation.

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

	Governmental Activities	
	2008	2007
Land	\$ 779,700	\$ 779,700
Land Improvements	193,534	210,021
Buildings and Improvements	1,187,191	1,215,284
Furniture and Equipment	205,918	178,087
Vehicles	130,650	103,741
Totals	\$ 2,496,993	\$ 2,486,833

The \$10,160 increase in capital assets was attributable to additional purchases exceeding depreciation expense. See Note 9 to the basic financial statements for more detail on the capital assets of the School District.

***Short-Term Debt***

At June 30, 2008, the School District had \$450,000 in tax anticipation notes outstanding. During fiscal year 2008, \$150,000 of the tax anticipation notes were retired. Table 5 summarizes debt outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	2008	2007
General Obligation Notes:		
2005 Tax Anticipation Note	\$ 450,000	\$ 600,000
Totals	\$ 450,000	\$ 600,000

The proceeds of the 2005 tax anticipation note were utilized for the emergency requirements of the School District. See Note 19 to the basic financial statements for more detail on the short-term debt of the School District.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

---

***Current Issues***

It is evident that the Rootstown Local School District relies heavily on its property owners for support. In today's economical climate, this presents a problem to the School District as well as the local taxpayer. Until there is a change in the funding structure from the state, this will continue to be a key point of concern. Special education and gifted funding have been reduced every year. The School District attempts to help compensate for some of these losses by applying for additional grant money. Our position is such that the School District does not qualify for many of the "needy" grants.

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

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

In November 2008, a 2.5 mill Permanent Improvement Levy renewal was passed. The purpose of this levy is to provide funds for maintenance and capital repairs and improvements. A 5.9 mill Emergency Operating Levy will expire in 2009. The School District anticipates needing additional operating funds in addition to the 5.9 mill renewal.

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 has been working with the Ohio Schools Facilities Commission to adopt a comprehensive master facilities plan. The project will involve all school buildings on campus, with the state funding to be 40% and the School District funding will be 60%. MKC Associates has been retained to provide architectural and engineering guidance in the development of the overall facilities plan. This spring, the School District was approved for the CFAP project and given an offer of funding by the Ohio School Facilities Commission. The School District anticipates being on the ballot for a bond issue in November 2009, contingent on the passage of the levies previously mentioned.

***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.

**Rootstown Local School District**

*Statement of Net Assets*

*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 901,272
Receivables:	
Taxes	5,414,305
Intergovernmental	26,922
Nondepreciable Capital Assets	779,700
Depreciable Capital Assets (Net)	<u>1,717,293</u>
<i>Total Assets</i>	<u>8,839,492</u>
<b>Liabilities</b>	
Accounts Payable	13,716
Accrued Wages and Benefits	902,532
Vacation Benefits Payable	36,605
Intergovernmental Payable	350,784
Deferred Revenue	4,765,112
Matured Compensated Absences	136,357
Tax Anticipation Note Payable	450,000
Long Term Liabilities:	
Due Within One Year	50,364
Due In More Than One Year	<u>846,849</u>
<i>Total Liabilities</i>	<u>7,552,319</u>
<b>Net Assets</b>	
Invested in Capital Assets	2,496,993
Restricted for:	
Capital Projects	406,809
Other Purposes	130,058
Unrestricted	<u>(1,746,687)</u>
<i>Total Net Assets</i>	<u>\$ 1,287,173</u>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 5,570,710	\$ 222,302	\$ 41,182	\$ (5,307,226)
Special	1,229,645	0	631,257	(598,388)
Vocational	337,227	0	0	(337,227)
Other	558,119	0	0	(558,119)
Support services:				
Pupils	502,507	0	0	(502,507)
Instructional staff	373,144	0	4,260	(368,884)
Board of education	25,833	0	0	(25,833)
Administration	790,997	2,170	17,610	(771,217)
Fiscal	341,888	0	0	(341,888)
Business	10,854	0	0	(10,854)
Operation and maintenance of plant	1,029,956	0	0	(1,029,956)
Pupil transportation	763,361	0	23,460	(739,901)
Central	17,363	0	0	(17,363)
Operation of non-instructional services	22,088	0	9,000	(13,088)
Food Service Operations	343,211	271,195	149,591	77,575
Uniform Supplies	27,155	28,170	0	1,015
Extracurricular activities	322,398	94,716	0	(227,682)
Interest and fiscal charges	22,113	0	0	(22,113)
<b>Total Governmental Activities</b>	<b>\$ 12,288,569</b>	<b>\$ 618,553</b>	<b>\$ 876,360</b>	<b>(10,793,656)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				4,552,840
Debt Service				172,113
Capital Outlay				285,063
Grants and Entitlements not Restricted to Specific Programs				5,243,736
Investment Earnings				55,096
Miscellaneous				52,832
<b>Total General Revenues</b>				<b>10,361,680</b>
<b>Change in Net Assets</b>				<b>(431,976)</b>
<b>Net Assets Beginning of Year</b>				<b>1,719,149</b>
<b>Net Assets End of Year</b>				<b>\$ 1,287,173</b>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2008*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 248,430	\$ 374,563	\$ 217,639	\$ 840,632
Receivables:				
Taxes	4,942,812	305,698	165,795	5,414,305
Intergovernmental	10,373	0	16,549	26,922
Equity in Pooled Cash and Cash Equivalents-Restricted	60,640	0	0	60,640
<i>Total Assets</i>	<u>\$ 5,262,255</u>	<u>\$ 680,261</u>	<u>\$ 399,983</u>	<u>\$ 6,342,499</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 10,938	\$ 0	\$ 2,778	\$ 13,716
Accrued Wages and Benefits	865,398	0	37,134	902,532
Intergovernmental Payable	333,253	0	17,531	350,784
Deferred Revenue	4,763,826	294,102	182,344	5,240,272
Matured Compensated Absences	136,357	0	0	136,357
Tax Anticipation Note Payable	450,000	0	0	450,000
<i>Total Liabilities</i>	6,559,772	294,102	239,787	7,093,661
<b>Fund Balances</b>				
Reserved for Encumbrances	5,539	7,500	1,361	14,400
Reserved for Tax Revenue Unavailable for Appropriation	178,986	11,596	0	190,582
Reserved to Textbook/Instructional Materials	56,526	0	0	56,526
Reserved for Capital Improvements/Maintenance	4,114	0	0	4,114
Unreserved:				
Undesignated, Reported in:				
General Fund	(1,542,682)	0	0	(1,542,682)
Special Revenue Funds	0	0	158,835	158,835
Capital Projects Funds	0	367,063	0	367,063
<i>Total Fund Balances</i>	<u>(1,297,517)</u>	<u>386,159</u>	<u>160,196</u>	<u>(751,162)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,262,255</u>	<u>\$ 680,261</u>	<u>\$ 399,983</u>	<u>\$ 6,342,499</u>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets Governmental Activities*  
*June 30, 2008*

---



---

Total Governmental Fund Balances	\$	(751,162)
----------------------------------	----	-----------

*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,496,993
---	--	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	\$	16,549		
Grants		458,611		475,160
Delinquent Property Taxes				

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(897,213)	
Vacation Benefits Payable	(36,605)	(933,818)

Net Assets of Governmental Activities	\$	<u>1,287,173</u>
---------------------------------------	----	------------------

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 4,479,385	\$ 282,491	\$ 172,113	\$ 4,933,989
Intergovernmental	5,568,941	44,316	484,178	6,097,435
Investment income	55,096	0	6,112	61,208
Tuition and fees	208,974	0	0	208,974
Extracurricular activities	0	0	94,299	94,299
Rentals	2,170	0	0	2,170
Charges for services	0	0	299,365	299,365
Gifts and donations	0	0	13,745	13,745
Miscellaneous	4,413	0	48,419	52,832
<i>Total Revenues</i>	<u>10,318,979</u>	<u>326,807</u>	<u>1,118,231</u>	<u>11,764,017</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	4,936,451	0	61,605	4,998,056
Special	973,859	0	257,581	1,231,440
Vocational	331,355	0	0	331,355
Other	558,119	0	0	558,119
<b>Support services:</b>				
Pupils	503,942	0	0	503,942
Instructional staff	361,477	0	12,737	374,214
Board of education	25,833	0	0	25,833
Administration	737,654	1,955	44,677	784,286
Fiscal	345,611	4,531	0	350,142
Business	10,854	0	0	10,854
Operation and maintenance of plant	1,008,416	1,012	0	1,009,428
Pupil transportation	619,752	91,323	23,000	734,075
Central	17,363	0	0	17,363
Operation of non-instructional services	0	0	15,621	15,621
Food Service Operations	0	0	412,278	412,278
Uniform Supplies	0	0	27,155	27,155
Extracurricular activities	240,161	0	98,529	338,690
Capital outlay	0	41,396	0	41,396
Interest and fiscal charges	0	0	22,113	22,113
<i>Total Expenditures</i>	<u>10,670,847</u>	<u>140,217</u>	<u>975,296</u>	<u>11,786,360</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(351,868)	186,590	142,935	(22,343)
<b>Other Financing Sources (Uses):</b>				
Transfers in	150,000	0	0	150,000
Transfers out	0	0	(150,000)	(150,000)
<i>Total Financing Sources (Uses)</i>	<u>150,000</u>	<u>0</u>	<u>(150,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(201,868)	186,590	(7,065)	(22,343)
<i>Fund balance (deficit) at beginning of year, Restated</i>	<u>(1,095,649)</u>	<u>199,569</u>	<u>167,261</u>	<u>(728,819)</u>
<i>Fund balance (deficit) at end of year</i>	<u>\$ (1,297,517)</u>	<u>\$ 386,159</u>	<u>\$ 160,196</u>	<u>\$ (751,162)</u>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2008*

---

Net Change in Fund Balances - Total Governmental Funds \$ (22,343)

*Amounts reported for governmental activities in the statement of activities are different because:*

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

Capital Asset Additions	\$ 153,818	
Current Year Depreciation	<u>(143,658)</u>	10,160

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

Grants	16,549	
Delinquent Property Taxes	<u>76,027</u>	92,576

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

Compensated Absences	(515,389)	
Vacation Benefits Payable	<u>3,020</u>	<u>(512,369)</u>

Change in Net Assets of Governmental Activities \$ (431,976)

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 4,329,944	\$ 4,569,164	\$ 4,492,113	\$ (77,051)
Intergovernmental	5,289,561	5,468,828	5,541,922	73,094
Investment Income	52,513	82,000	55,096	(26,904)
Tuition and Fees	210,616	212,000	220,974	8,974
Miscellaneous	24,569	13,960	23,229	9,269
<i>Total Revenues</i>	<u>9,907,203</u>	<u>10,345,952</u>	<u>10,333,334</u>	<u>(12,618)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction:				
Regular	4,694,147	5,063,612	4,874,191	189,421
Special	872,804	999,760	958,898	40,862
Vocational	299,337	319,365	328,694	(9,329)
Other	510,329	563,274	558,119	5,155
Support Services:				
Pupils	446,906	494,277	490,725	3,552
Instructional Staff	332,730	409,960	365,092	44,868
Board of Education	23,501	18,581	25,805	(7,224)
Administration	673,147	729,071	735,766	(6,695)
Fiscal	334,564	381,250	350,785	30,465
Business	9,885	4,100	10,854	(6,754)
Operation and Maintenance of Plant	927,042	944,607	1,009,690	(65,083)
Pupil Transportation	567,762	629,788	614,244	15,544
Central	17,813	16,076	17,363	(1,287)
Extracurricular Activities	219,706	176,958	241,242	(64,284)
<i>Total Expenditures</i>	<u>9,929,673</u>	<u>10,750,679</u>	<u>10,581,468</u>	<u>169,211</u>
Excess of Revenues Over (Under) Expenditures	(22,470)	(404,727)	(248,134)	156,593
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	2,115	2,000	2,219	219
Advances In	2,103	1,600	2,206	606
Advances Out	(552)	(500)	(606)	(106)
Transfers Out	0	(30,026)	0	30,026
<i>Total Other Financing Sources (Uses)</i>	<u>3,666</u>	<u>(26,926)</u>	<u>3,819</u>	<u>30,745</u>
<i>Net Change in Fund Balance</i>	(18,804)	(431,653)	(244,315)	187,338
<i>Fund Balance (Deficit) at Beginning of Year</i>	524,663	524,663	524,663	0
Prior Year Encumbrances Appropriated	17,629	17,629	17,629	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 523,488</u>	<u>\$ 110,639</u>	<u>\$ 297,977</u>	<u>\$ 187,338</u>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 76,792	\$ 19,731
<b>Liabilities</b>		
Undistributed Monies	\$ 0	\$ 19,731
<i>Total Liabilities</i>	0	\$ 19,731
<b>Net Assets</b>		
Held in Trust for Scholarships	76,792	
<i>Total Net Assets</i>	\$ 76,792	

See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For Fiscal Year Ended June 30, 2008*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Interest	\$ 3,906
Miscellaneous	41
Total	3,947
<b>Deductions</b>	
Payments in accordance with trust agreement	11,500
<i>Change in Net Assets</i>	(7,553)
<i>Net Assets Beginning of Year</i>	84,345
<i>Net Assets End of Year</i>	\$ 76,792

See accompanying notes to the basic financial statements.

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

### **Note 1 – Description of the School District**

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

The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership was 1,349. The School District employs 92 certificated and 68 non-certificated employees.

#### ***Reporting Entity***

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

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

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

The School District participates in one jointly governed organization, the Stark Portage Area Computer Consortium (SPARCC), which is presented in Note 16 to the basic financial statements.

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

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

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

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

---

### ***A. Basis of Presentation***

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

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

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

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

### ***B. Fund Accounting***

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

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

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

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

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

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

### ***C. Measurement Focus***

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

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

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

### ***D. Basis of Accounting***

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is

## ROOTSTOWN LOCAL SCHOOL DISTRICT

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

---

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 Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

### ***E. Cash and Cash Equivalents***

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

During fiscal year 2008, other investments of the School District were limited to STAROhio, (the State Treasurer's Investment Pool), repurchase agreements, certificates of deposit and mutual funds. These nonparticipating investment contracts are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2008.

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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 2008 amounted to \$55,096, which includes \$27,725 assigned from other School District funds.

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

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 18 for additional information regarding set-asides.

**G. Capital Assets**

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

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

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

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

**H. Interfund Balances**

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

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

---

### ***I. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

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

### ***J. Accrued Liabilities and Long-term Obligations***

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

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

### ***K. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include extracurricular activities, operation and maintenance of plant, and special education.

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

### ***L. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, and textbooks/instructional materials and capital improvements/maintenance.

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

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

### ***M. Interfund Activity***

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

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

### ***N. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

### ***O. Estimates***

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

### ***P. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the 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 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 2008.

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

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

### ***Q. Implementation of New Accounting Policies***

For the year ended 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*”, and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”, to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

---

**Note 3 – Restatement of Fund Balance**

It was deemed by the School District that tax anticipation notes would be better classified at the modified accrual basis. The change in fund balance is summarized below:

	General Fund
Fund Balance at June 30, 2007	\$ (495,649)
Adjustment	(600,000)
Restated Fund Balance at July 1, 2007	<u>\$ (1,095,649)</u>

**Note 4 – Fund Deficits**

Fund balances at June 30, 2008 included the following individual fund deficits:

	Deficit Fund Balance
General Fund	\$ 1,297,517
Nonmajor Governmental Funds:	
Title VI-B	22,854

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

**Note 5 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ (201,868)
Net Adjustment for Revenue Accruals	(133,426)
Advance In	2,206
Advance Out	(606)
Net Adjustment for Expenditure Accruals	100,479
Adjustment for Encumbrances	<u>(11,100)</u>
Budget Basis	<u>\$ (244,315)</u>

**Note 6 – Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements is the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all 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.

**Cash on Hand** At year end, the School District had \$100 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$457,261 and the bank balance was \$543,936. Of the bank balance:

1. \$106,272 was covered by federal depository insurance; and

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

2. \$437,664 was covered by collateral held by a qualified third party trustee in the name of Rootstown Local School District.

**Investments**

Investments are reported at fair value. As of June 30, 2008, the School District had the following investments:

	Fair Value	Investment Maturities (in months) 0-6
Repurchase Agreement	\$ 421,435	\$ 421,435
Mutual Funds	12,298	12,298
STAROhio	106,701	106,701
Totals	<u>\$ 540,434</u>	<u>\$ 540,434</u>

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

**Credit Risk:** The School District's investments at June 30, 2008 include repurchase agreements, mutual funds, and STAROhio which is rated AAAM by Standard & Poor's. The repurchase agreement and mutual fund account are not rated by Standard & Poor's or Moody's Investor Services. The federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

**Concentration of Credit Risk:** The School District places no limit on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in STAROhio and repurchase agreements. These investments are 20% and 78%, respectively of the School District's total investments for the amounts listed 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 \$421,435 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. 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 7 - Property Taxes**

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

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at 6.25 percent of true value for property including inventory. This percentage will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Portage County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$178,986 in the general fund and \$11,596 in the permanent improvement capital projects fund.

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

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 First Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$165,466,870	92.00%	\$170,070,000	93.24%
Public Utility Personal	44,860	0.02%	58,950	0.03%
Tangible Personal Property	14,357,527	7.98%	12,277,743	6.73%
<b>Total</b>	<u>\$179,869,257</u>	<u>100.00%</u>	<u>\$182,406,693</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$62.42		 \$62.32	

**Note 8 - Receivables**

Receivables at June 30, 2008, consisted of taxes 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. The intergovernmental receivable at June 30 consisted of state and federal grants and excess costs of \$26,922.

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance 6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2008</u>
<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	527,411	0	0	527,411
Building and Improvements	4,682,815	11,391	(21,284)	4,672,922
Furniture and Equipment	892,222	71,758	0	963,980
Vehicles	758,614	70,669	(5,200)	824,083
Library and Text Books	349,706	0	0	349,706
<b>Total Capital Assets, being depreciated</b>	<u>7,210,768</u>	<u>153,818</u>	<u>(26,484)</u>	<u>7,338,102</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(317,390)	(16,487)	0	(333,877)
Building and Improvements	(3,467,531)	(39,484)	21,284	(3,485,731)
Furniture and Equipment	(714,135)	(43,927)	0	(758,062)
Vehicles	(654,873)	(43,760)	5,200	(693,433)
Library and Text Books	(349,706)	0	0	(349,706)
<b>Total Accumulated Depreciation</b>	<u>(5,503,635)</u>	<u>(143,658)</u>	<u>26,484</u>	<u>(5,620,809)</u>
<b>Total Capital Assets being depreciated, Net</b>	<u>1,707,133</u>	<u>10,160</u>	<u>0</u>	<u>1,717,293</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 2,486,833</u>	<u>\$ 10,160</u>	<u>\$ 0</u>	<u>\$ 2,496,993</u>

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	74,341
Support Services:		
Pupil		159
Instructional Staff		669
Administration		164
Fiscal		165
Operation and Maintenance of Plant		212
Pupil Transportation		56,230
Capital Outlay		49
Operation of non instructional		6,467
Extracurricular Activities		<u>5,202</u>
Total Depreciation	\$	<u>143,658</u>

**Note 10 – Risk Management**

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

***A. Property and Liability***

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

***B. Workers' Compensation***

The School District pays the State Workers' Compensation system a premium based on a rate of \$1.58 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***C. Employee Medical Benefits***

Medical and prescription coverage is provided as a Comprehensive Major Medical program through Benefit Services, Inc. Monthly family premiums are \$873.05 for Administrative and Certified Staff and \$843.60 for Classified Staff. Monthly single premiums are \$333.61 for Administrative and Certified Staff and \$322.83 for Classified Staff.

Dental coverage is provided as a Comprehensive Major Medical plan through Benefit Services, Inc. Monthly premiums are \$76.80 for family coverage and \$32.95 for single coverage.

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

### **Note 11 – Defined Benefit Pension Plans**

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

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800)878-5853. It is also posted on the SERS' Web site, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16% of annual covered salary was the portion used to fund pension obligations. For fiscal year ended 2007 the amount was 10% and for fiscal year ended 2006 the amount was 10.58%. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The contributions to SERS for pension obligations for the fiscal years ended June 30, 2008, 2007, and 2006 were \$149,994, \$170,897, and \$170,797, respectively; 50% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. \$114,624 represents the unpaid contribution for fiscal year 2008, and is recorded as a liability within the respective funds.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

## ROOTSTOWN LOCAL SCHOOL DISTRICT

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

---

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$667,338, \$636,034 and \$600,437, respectively; 83% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,022 made by the School District and \$7,958 made by the plan members. \$120,508 represents the unpaid contribution for fiscal year 2008, and is recorded within the respective funds.

#### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2% of wages paid.

#### **Note 12 - Postemployment Benefits**

##### ***A. State Teachers Retirement System***

The School District contributes to 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. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1 percent of covered payroll was allocated to Health Care Stabilization Fund for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for health care for fiscal years ended June 30, 2008, 2007 and 2006 were \$51,334, \$48,926 and \$46,187, respectively.

##### ***B. School Employees Retirement System***

The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

---

reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent, at June 30, 2007 the health care allocation was 3.32% and at June 30, 2006, the health care allocation was 3.42%. The District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$68,447, \$56,738 and \$55,211, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at \$35,800. For the School District during fiscal year 2008 this amounted to \$22,658.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66 percent and for fiscal year 2007 the required allocation was .68 percent. The School District contributions for the fiscal years 2008 and 2007 were \$10,807 and \$11,621, respectively.

### **Note 13 – Other Employee Benefits**

#### **A. Life Insurance**

The School District provides term life insurance to employees through Benefit Services, Inc. in the amount of \$20,000 for all eligible employees. Term life insurance is provided for Administrative Staff based upon double the employee's annual salary and the premium is \$.09 per \$100 of salaries and an additional \$2.25 per month. Term life insurance is provided for the nine-month Certified Staff at a monthly rate of \$3.40 per employee. Term life insurance is provided for Classified Staff that meet the nine-month contract and twenty or more hours per week requirement at a monthly rate of \$ 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.

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

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**C. Special Termination Benefits**

Certified employees meeting the requirements included in the negotiated agreement, and the provision of the retirement system, receive a salary incentive when they retire from active service in the amount of \$40,000.

For fiscal year 2008, termination benefits in the amount of \$681,784 which are made up of the retirement incentive of \$520,000 and severance pay of \$161,784 will be paid out over a five year period.

Eligibility requirement for participation in this program:

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

**Note 14 - Long - Term Obligations**

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

	<u>Restated Outstanding 6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2008</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
Compensated Absences	<u>\$ 381,824</u>	<u>\$ 685,438</u>	<u>\$ 170,049</u>	<u>\$ 897,213</u>	<u>\$ 50,364</u>
Total Governmental Activities					
Long-Term Liabilities	<u><u>\$ 381,824</u></u>	<u><u>\$ 685,438</u></u>	<u><u>\$ 170,049</u></u>	<u><u>\$ 897,213</u></u>	<u><u>\$ 50,364</u></u>

Compensated absences will be paid from the general fund and respective funds.

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**Note 15 – Deferred Revenue**

Deferred revenue consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 4,765,112	\$ 5,223,723
Grants Receivable	0	16,549
Deferred Revenue	<u>\$ 4,765,112</u>	<u>\$ 5,240,272</u>

**Note 16 - Jointly Governed Organizations**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the fiscal year ended June 30, 2008, the School District paid \$39,994 to SPARCC for basic service charges.

**Note 17 - Contingencies**

**A. Grants**

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

**B. Litigation**

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

**Note 18 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Totals
Set-Aside Carryover Balance as of June 30, 2007	\$ 0	\$ 36,785	\$ 36,785
Current Year Set-Aside Requirement	208,923	208,923	417,846
Qualifying Disbursements	<u>(204,809)</u>	<u>(189,182)</u>	<u>(393,991)</u>
Total	<u>\$ 4,114</u>	<u>\$ 56,526</u>	<u>\$ 60,640</u>
 Balance Carried Forward to FY 2009	 <u>\$ 4,114</u>	 <u>\$ 56,526</u>	 <u>\$ 60,640</u>
 Amount for Restricted Cash			 <u>\$ 60,640</u>

The School District may use any negative amount in the textbooks set-aside to reduce set-aside requirements of future fiscal years. Amounts remaining at fiscal year end are represented by a reserved fund balance presented on the balance sheet.

**Note 19 – Tax Anticipation Notes Payable**

In prior fiscal years, the School District issued tax anticipation notes in advance of property tax collections, depositing the proceeds in the general fund. These notes were necessary to finance current operations of the School District.

Note payable activity for the year ended June 30, 2008, was as follows:

	<u>Balance 6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2008</u>
First Place Bank - 4.21%	<u>\$ 600,000</u>	<u>\$ 0</u>	<u>\$ 150,000</u>	<u>\$ 450,000</u>

**Note 20 – Transfers**

During the compiling of the financial statements, transfers were recorded from other governmental funds to the general fund in order to report debt service payments with the funds that are reporting the liabilities. These amounts represented \$150,000 from the debt service fund to the general fund.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, its major funds, and the aggregate remaining fund information of Rootstown Local School District, Portage County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Rootstown Local School District's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education  
Rootstown Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rootstown Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Rootstown Local School District in a separate letter dated December 5, 2008.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 5, 2008



**Mary Taylor, CPA**  
Auditor of State

**ROOTSTOWN LOCAL SCHOOL DISTRICT**  
**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 17, 2009**