

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2004**





**Auditor of State  
Betty Montgomery**

Board of Education  
Rootstown Local School District  
Rootstown, Ohio

We have reviewed the Independent Auditor's Report of the Rootstown Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 24, 2004

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**ROOTSTOWN LOCAL SCHOOL DISTRICT**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 19, 2004

The Board of Education  
Rootstown Local School District  
Rootstown, Ohio 44272

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rootstown Local School District, Ohio, as of and for the year ended June 30, 2004, which collectively comprise the 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 financial statements based on our audit

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

As stated in Note 3 Rootstown Local School District, Ohio, adopted Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 41, "Budgetary Comparison Schedules Perspective Difference," and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials."

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rootstown Local School District, Ohio, as of June 30, 2004, and the respective changes in financial position where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2004 on our consideration of Rootstown Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

*Hea & Associates, Inc.*



**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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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, 2004. 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 2004 are as follows:

- ❑ General Revenues accounted for \$8.8 million in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$905,000 or 9% of total revenues of \$9.7 million.
- ❑ Total program expenses were \$10.8 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities decreased approximately \$1 million, which represents a 39% decrease from 2003.
- ❑ Outstanding bonded debt decreased from \$330,000 to \$225,000 through the payment of bond principal.

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" 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 and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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

*Fund Financial Statements*

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

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

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

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

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$ 5,328,795	\$ 6,185,550
Capital Assets	2,115,868	2,289,420
Total Assets	7,444,663	8,474,970
<b>Liabilities</b>		
Long-Term Liabilities	687,047	726,338
Other Liabilities	5,161,386	5,127,810
Total Liabilities	5,848,433	5,854,148
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	1,860,868	1,959,420
Restricted	360,787	378,706
Unrestricted (Deficit)	(625,425)	282,696
Total Net Assets	\$ 1,596,230	\$ 2,620,822

Total assets decreased by approximately \$1 million. This decrease was caused primarily by two factors. One was the fact that the district spent \$708,000 more than it received. Secondly, was a decrease of approximately \$174,000 in total capital assets due to depreciation exceeding additional purchases.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

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

	Governmental Activities
	2004
<b>Revenues</b>	
<i>Program Revenues:</i>	
Charges for Services	\$ 485,262
Operating Grants	419,899
<i>General Revenue:</i>	
Property Taxes	3,956,082
Grants and Entitlements	4,772,914
Other	95,143
<i>Total Revenues</i>	9,729,300
 <b>Program Expenses</b>	
Instruction	6,528,206
Support Services	3,383,688
Operation of Non-Instructional	73,757
Extracurricular Activities	387,763
Interest and Fiscal Charges	15,497
Food Services	349,389
Uniform School Supplies	15,592
<i>Total Expenses</i>	10,753,892
Increase (Decrease) in Net Assets	\$ (1,024,592)

**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 \$9.7 million and expenses of \$10.8 million. Comparisons to 2003 have not been made since they are not available.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 6,528,206	\$ 6,117,572
Support Services:		
Pupil and Instructional Staff	696,686	676,014
Board of Education, Administration		
Fiscal and Business	1,132,508	1,114,070
Operation and Maintenance of Plant	896,821	895,362
Pupil Transportation and Central	657,673	657,673
Operation of Non-Instructional Services	73,757	33,092
Extracurricular Activities	387,763	299,471
Interest Charges	15,497	15,497
Food Service Operations	349,389	43,038
Uniform Supplies	15,592	(3,058)
	<b>\$ 10,753,892</b>	<b>\$ 9,848,731</b>

Instruction and Student Support Services comprise 67% of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 14% 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.

***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 2004, there were minor material 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, budget basis revenue was approximately \$8.4 million, under the original budget estimates of approximately \$8.6 million. This difference of approximately \$213,000 was due to two major reasons. First, this was the first year for an all-day kindergarten class that was tuition based. The estimate was based on the number of students that would attend. It was initially planned to have two full classes of all-day students but ended with only one, reducing the original estimated revenue of \$263,000 to \$103,000. Secondly, the estimated real estate taxes were based on historical percentages of previous collections. This estimate was higher than the actual collection based on the re-evaluation of property worth.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

Final appropriations of approximately \$9.3 million were approximately \$174,000 higher than the approximately \$9.1 million in the original budget, due to an additional (extra) adoption of textbooks in the area of reading, an increase of medical insurance costs, and the moving of teachers on the salary schedule due to additional coursework.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2004, the School District had \$7.1 million invested in land, buildings, equipment, library, and textbooks. Table 4 shows fiscal year 2004 balances compared with 2003 net of depreciation.

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

	Governmental Activities	
	2004	2003
Land	\$ 779,700	\$ 743,300
Land Improvements	261,369	240,115
Buildings and Improvements	544,312	579,516
Furniture and Equipment	223,872	304,080
Vehicles	277,474	334,983
Library and Text Books	29,141	87,426
Totals	\$ 2,115,868	\$ 2,289,420

The approximately \$174,000 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$179,324 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 19 for additional information.

**Debt**

At June 30, 2004, the School District had \$255,000 in bonds outstanding with \$80,000 due within one year. During fiscal year 2004, \$75,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

**Rootstown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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

	2004	2003
General Obligation Bonds:		
1996 Energy Conservation	\$ 255,000	\$ 330,000

The proceeds of the 1996 bond issues were utilized for the replacement of elementary and middle school windows.

***Current Issues***

Rootstown Local School District receives approximately 48% of its revenue from the State. The School District does receive additional revenue for increased enrollment but 2004 showed a decrease in enrollment. Future projections also show a decrease in enrollment which will in turn decrease our State share. Lottery, special education, and gifted funding have also been reduced every year. Lastly, the School District loses \$40,000 annually due to a decrease in tangible personal property taxes.

The School District, in turn, relies on its local property taxpayers. The last operating levy was passed in 1995, for 4.9 mills, on a continuing basis. The five-year forecast projects a deficit in fiscal year 2006. There is a 5.9 mill, five year, emergency levy scheduled to appear on the November ballot. With House Bill 920 current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage 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 has cut \$185,000 from the instructional supplies and equipment budgets in order to maintain a positive balance in fiscal year 2005.

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

***Contacting the School District's Financial Management***

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

**Rootstown Local School District**

*Statement of Net Assets*

*June 30, 2004*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,163,864
Receivables:	
Taxes	4,129,289
Intergovernmental	35,642
Nondepreciable Capital Assets	779,700
Depreciable Capital Assets (Net)	<u>1,336,168</u>
<i>Total Assets</i>	<u>7,444,663</u>
<b>Liabilities</b>	
Accounts Payable	13,747
Accrued Wages and Benefits	996,754
Intergovernmental Payable	278,437
Deferred Revenue	3,872,448
Long Term Liabilities:	
Due Within One Year	97,525
Due Within More Than One Year	<u>589,522</u>
<i>Total Liabilities</i>	<u>5,848,433</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,860,868
Restricted for:	
Capital Projects	312,330
Other Purposes	48,457
Unrestricted	<u>(625,425)</u>
<i>Total Net Assets</i>	<u>\$ 1,596,230</u>

See accompanying notes to the basic financial statements.



**Rootstown Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	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	\$ 4,825,904	\$ 125,780	\$ 86,932	\$ (4,613,192)
Special	1,037,461	0	196,626	(840,835)
Vocational	376,626	0	0	(376,626)
Other	288,215	0	1,296	(286,919)
Support services:				
Pupils	448,357	0	8,295	(440,062)
Instructional staff	248,329	0	12,377	(235,952)
Board of education	21,608	0	0	(21,608)
Administration	735,603	6,592	11,589	(717,422)
Fiscal	307,344	0	257	(307,087)
Business	67,953	0	0	(67,953)
Operation and maintenance of plant	896,821	0	1,459	(895,362)
Pupil transportation	655,341	0	0	(655,341)
Central	2,332	0	0	(2,332)
Operation of non-instructional services	73,757	0	40,665	(33,092)
Food Service Operations	349,389	245,948	60,403	(43,038)
Uniform Supplies	15,592	18,650	0	3,058
Extracurricular activities	387,763	88,292	0	(299,471)
Interest and fiscal charges	15,497	0	0	(15,497)
<b>Total Governmental Activities</b>	<b>10,753,892</b>	<b>485,262</b>	<b>419,899</b>	<b>(9,848,731)</b>

**General Revenues**

Property Taxes Levied for:		
General Purposes		3,679,934
Capital Outlay		276,148
Grants and Entitlements not Restricted to Specific Programs		4,772,914
Investment Earnings		24,378
Miscellaneous		70,765
<b>Total General Revenues</b>		<b>8,824,139</b>
Change in Net Assets		(1,024,592)
Net Assets Beginning of Year		2,620,822
Net Assets End of Year		<b>\$ 1,596,230</b>

See accompanying notes to the basic financial statements.

**Rootstown Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2004*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 706,881	\$ 293,451	\$ 163,532	\$ 1,163,864
Receivables:				
Taxes	3,668,424	289,644	171,221	4,129,289
Intergovernmental	0	0	35,642	35,642
<i>Total Assets</i>	<u>\$ 4,375,305</u>	<u>\$ 583,095</u>	<u>\$ 370,395</u>	<u>\$ 5,328,795</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 11,644	\$ 0	\$ 2,103	\$ 13,747
Accrued Wages and Benefits	948,327	0	48,427	996,754
Intergovernmental Payable	167,357	0	9,816	177,173
Deferred Revenue	3,545,023	278,726	164,533	3,988,282
<i>Total Liabilities</i>	<u>4,672,351</u>	<u>278,726</u>	<u>224,879</u>	<u>5,175,956</u>
<b>Fund Balances</b>				
Fund Balance:				
Reserved for Encumbrances	96,003	11,850	11,299	119,152
Reserved for Tax Revenue Unavailable for Appropriation	123,401	10,918	6,688	141,007
Unreserved:				
Undesignated, Unreserved Reported in:				
General Fund	(516,450)	0	0	(516,450)
Special Revenue Funds	0	0	127,529	127,529
Capital Projects Funds	0	281,601	0	281,601
<i>Total Fund Balances</i>	<u>(297,046)</u>	<u>304,369</u>	<u>145,516</u>	<u>152,839</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,375,305</u>	<u>\$ 583,095</u>	<u>\$ 370,395</u>	<u>\$ 5,328,795</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, 2004*

Total Governmental Fund Balances	\$	152,839
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,115,868
Other long-term assets are not available to pay for current- Delinquent Property Taxes	<u>115,834</u>	115,834
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds		(255,000)
Compensated Absences		(432,047)
Intergovernmental Payable		<u>(101,264)</u>
 Net Assets of Governmental Activities	 \$	 <u><u>1,596,230</u></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, 2004*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 3,487,867	\$ 274,781	\$ 164,626	\$ 3,927,274
Intergovernmental	4,740,020	32,894	441,031	5,213,945
Investment income	23,834	0	544	24,378
Tuition and fees	103,724	0	0	103,724
Extracurricular activities	0	0	88,292	88,292
Rentals	6,592	0	0	6,592
Charges for services	22,056	0	264,598	286,654
Miscellaneous	15,205	0	55,560	70,765
<i>Total Revenues</i>	8,399,298	307,675	1,014,651	9,721,624
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,241,777	157,814	255,300	4,654,891
Special	760,529	0	274,629	1,035,158
Vocational	378,239	0	0	378,239
Other	287,045	0	1,170	288,215
Support services:				
Pupils	427,255	0	10,561	437,816
Instructional staff	189,961	0	17,160	207,121
Board of education	21,608	0	0	21,608
Administration	683,476	508	40,723	724,707
Fiscal	296,859	4,226	2,513	303,598
Business	67,009	0	0	67,009
Operation and maintenance of plant	888,993	0	1,359	890,352
Pupil transportation	528,615	50,330	0	578,945
Operation of non-instructional services	0	0	68,485	68,485
Food Service Operations	0	0	341,004	341,004
Uniform Supplies	0	0	15,592	15,592
Extracurricular activities	268,917	0	110,388	379,305
Capital outlay	121,566	0	0	121,566
Debt service:				
Principal retirement	0	0	75,000	75,000
Interest and fiscal charges	0	0	15,497	15,497
<i>Total Expenditures</i>	9,161,849	212,878	1,229,381	10,604,108
<i>Excess of Revenues Over (Under) Expenditures</i>	(762,551)	94,797	(214,730)	(882,484)
<b>Other Financing Sources (Uses):</b>				
Transfer in	0	0	90,497	90,497
Transfer out	(90,497)	0	0	(90,497)
<i>Total Financing Sources and (Uses)</i>	(90,497)	0	90,497	0
<i>Net Change in Fund Balance</i>	(853,048)	94,797	(124,233)	(882,484)
<i>Fund balance (deficit) at beginning of year</i>	556,002	209,572	269,749	1,035,323
<i>Fund balance (deficit) at end of year</i>	\$ (297,046)	\$ 304,369	\$ 145,516	\$ 152,839

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, 2004*

Net Change in Fund Balances - Total Governmental Funds	\$	(882,484)
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*Amounts reported for governmental activities in the statement of activities are different because:*

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

Capital Asset Additions	89,308	
Current Year Depreciation	<u>(262,860)</u>	(173,552)

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

Grants	(21,132)	
Delinquent Property Taxes	<u>28,808</u>	7,676

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

Bond Principal		75,000
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Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Capital Leases		
Compensated Absences	(35,709)	
Pension Obligation	<u>(15,523)</u>	<u>(51,232)</u>

Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(1,024,592)</u>
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See accompanying notes to the basic financial statements.

**Rootstown Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 Total General Fund  
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 3,785,564	\$ 3,453,075	\$ 3,453,174	\$ 99
Intergovernmental	4,367,940	4,740,020	4,740,020	0
Investment Income	58,123	23,500	23,834	334
Tuition and Fees	263,131	103,724	103,724	0
Charges for Services	63,972	22,056	22,056	0
Miscellaneous	43,408	21,747	21,797	50
<i>Total Revenues</i>	<u>8,582,138</u>	<u>8,364,122</u>	<u>8,364,605</u>	<u>483</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	5,618,713	5,721,002	5,731,402	(10,400)
Support Services				
Pupils	435,411	437,882	437,798	84
Instructional Staff	189,296	191,465	190,494	971
Board of Education	21,490	21,608	21,608	0
Administration	668,830	677,938	676,515	1,423
Fiscal	293,541	295,897	295,883	14
Business	66,357	66,735	66,721	14
Operation and Maintenance of Plant	891,213	917,034	906,462	10,572
Pupil Transportation	523,984	551,346	546,858	4,488
Extracurricular Activities	266,266	267,726	267,726	0
Capital Outlay	120,903	121,566	121,566	0
<i>Total Expenditures</i>	<u>9,096,004</u>	<u>9,270,199</u>	<u>9,263,033</u>	<u>7,166</u>
Excess of Revenues Over (Under) Expenditures	(513,866)	(906,077)	(898,428)	7,649
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	0	7,510	7,510	0
Refund of Prior Year Expenditures	0	843	843	0
Operating Transfers Out	(90,497)	(90,497)	(90,497)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(90,497)</u>	<u>(82,144)</u>	<u>(82,144)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(604,363)	(988,221)	(980,572)	7,649
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,279,019	1,279,019	1,279,019	0
Prior Year Encumbrances Appropriated	302,345	302,345	302,345	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 977,001</u>	<u>\$ 593,143</u>	<u>\$ 600,792</u>	<u>\$ 7,649</u>

See accompanying notes to the basic financial statements.

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**Rootstown Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2004*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 93,149	\$ 17,444
<b>Liabilities</b>		
Undistributed Monies	0	\$ 17,444
<i>Total Liabilities</i>	0	\$ 17,444
<b>Net Assets</b>		
Held in Trust for Scholarships	93,149	
<i>Total Net Assets</i>	\$ 93,149	

See accompanying notes to the basic financial statements.



**Rootstown Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2004*

	Private Purpose Trust	Scholarship
<b>Additions</b>		
Interest	\$ 974	
Miscellaneous		500
Total		1,474
<b>Deductions</b>		3,500
<i>Change in Net Assets</i>		(2,026)
<i>Net Assets Beginning of Year</i>		95,175
<i>Net Assets End of Year</i>		\$ 93,149

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, 2004*

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### **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 on, or as of, October 1, 2003, was 1294. The School District employs 101 certificated and 54 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.

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

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

#### ***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.

## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**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 other than those financed by proprietary funds.

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

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## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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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 agency funds. The School District's agency funds account 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.

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the Government-Wide Financial Statements.

### ***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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the

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**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On 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.

Under the modified accrual basis, 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 non-expendable 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 2004, investments were limited to repurchase agreements and certificates of deposit. These nonparticipating investment contracts are reported at cost.

The District has also invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

For presentation on the financial statements, investments of the cash management pool and investments with 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 initial maturity of more than three months that are not purchased from the pool are reported as investments.

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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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 2004 amounted to \$23,834, which includes \$6,682 assigned from other School District funds.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 19 for additional information regarding set-asides.

***G. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed 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 Fixtures	5 - 20 Years
Vehicles	8 Years
Library and Textbooks	6 Years

***H. 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. The liability includes the employees who are eligible to receive termination benefits and those the School District had identified as

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**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

***I. 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, special termination benefits and contractually required pension contributions 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 fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***J. 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.

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

***K. 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 and property taxes.

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

***L. 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

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## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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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.

### ***M. 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 2004.

### ***N. 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.

### ***O. 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.

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Portage County Budget Commission for rate determination.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.



## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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***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 any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. 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.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

***Lapsing of Appropriations*** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

### **Note 3 – Change in Accounting Principle and Restatement of Fund Balances/Net Assets**

***Changes in Accounting Principles*** For fiscal year 2004, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

***Restatement of Prior Year Fund Balance*** It was determined that the revenues generated by the enterprise funds were not sufficient to cover the costs of the program. Additionally, there was no debt pledged nor were any laws or regulations requiring cost be recovered through fees and charges. Therefore, it was

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

determined that special revenue fund type is a more appropriate classification. Accordingly, effective July 1, 2003, the entire enterprise fund type has been eliminated and reclassified to the special revenue fund type. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Governmental Activities Total</u>
Fund Balances, June 30, 2003	\$ 554,213	\$ 209,572	\$ 185,605	\$ 949,390
Fund Reclassification	1,789	0	84,144	85,933
Restated Fund Balances, June 30, 2003	<u>\$ 556,002</u>	<u>\$ 209,572</u>	<u>\$ 269,749</u>	<u>\$ 1,035,323</u>
GASB 34 Adjustments:				
Capital Assets				2,289,420
Compensated Absences				(396,338)
Pension Obligations				(85,741)
Long-Term (Deferred) Assets				108,158
Long-Term Debt				<u>(330,000)</u>
Governmental Activities Net Assets, June 30, 2003				<u>\$ 2,620,822</u>

	<u>Business-Type Activities</u>	<u>Internal Service</u>
Net Assets, June 30, 2003	\$ 138,515	\$ 1,789
Fund Reclassification	(138,515)	(1,789)
Adjusted Net Assets, June 30, 2003	<u>\$ 0</u>	<u>\$ 0</u>

**Note 4 – Fund Deficits**

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 297,046
Nonmajor Governmental Funds:	
Title II-A	324

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 operating transfers when cash is required, not when accruals occur.

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**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).

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	\$ (853,048)
Net Adjustment for Revenue Accruals	125,250
Net Adjustment for Expenditure Accruals	(146,680)
Adjustment for Encumbrances	<u>(106,094)</u>
Budget Basis	<u>\$ (980,572)</u>

**Note 6 – Deposits and Investments**

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

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

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

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## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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.

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**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

The following information classifies deposits and investments by categories of custodial risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

*Deposits* - At fiscal year-end, the carrying amount of the School District's deposits was \$555,817 and the bank balance was \$566,776. The School District also has \$100 in petty cash funds. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$466,776 was covered by collateral held by a qualified third party trustee not in the name of Rootstown Local School District.

*Investments* - The School District's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the School District's name.

		Category			Carrying	Fair
	1	2	3		Value	Value
Repurchase Agreement	\$ 0	\$ 0	\$ 614,591		\$ 614,591	\$ 614,591
Mutual Funds					12,298	12,298
Investment in State Treasurer's Investment Pool					91,651	91,651
Total Investments					<u>\$ 718,540</u>	<u>\$ 718,540</u>

**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.

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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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.

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Portage County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004 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, 2004, was \$123,401 in the General Fund, \$6,688 in the Emergency Fund, and \$10,918 in the Permanent Improvement Capital Projects Fund.

On a full 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.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$123,200,142	86.78 %	\$140,968,955	88.87 %
Public Utility Personal	28,290	0.02	31,000	0.02
Tangible Personal Property	18,745,429	13.20	17,629,741	11.11
Total	<u>\$141,973,861</u>	<u>100.00 %</u>	<u>\$158,629,696</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$57.32		\$57.18	

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 8 - Receivables**

Receivables at June 30, 2004, consisted of taxes, intergovernmental grants and interfund. 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 receivable of \$35,642.

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 743,300	\$ 36,400	\$ 0	\$ 779,700
<i>Capital Assets, being depreciated:</i>				
Land Improvements	489,363	38,048	0	527,411
Buildings and Improvements	3,891,392	4,360	0	3,895,752
Furniture and Equipment	757,772	0	0	757,772
Vehicles	748,114	10,500	0	758,614
Library and Text Books	349,706	0	0	349,706
Total Capital Assets, being depreciated	6,236,347	52,908	0	6,289,255
Less Accumulated Depreciation:				
Land Improvements	(249,248)	(16,794)	0	(266,042)
Buildings and Improvements	(3,311,876)	(39,564)	0	(3,351,440)
Furniture and Equipment	(453,692)	(80,208)	0	(533,900)
Vehicles	(413,131)	(68,009)	0	(481,140)
Library and Text Books	(262,280)	(58,285)	0	(320,565)
Total Accumulated Depreciation	(4,690,227)	(262,860)	0	(4,953,087)
Total Capital Assets being depreciated, net	1,546,120	(209,952)	0	1,336,168
Governmental Activities Capital Assets, Net	<u>\$ 2,289,420</u>	<u>\$ (173,552)</u>	<u>\$ 0</u>	<u>\$ 2,115,868</u>

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	130,520
Special		2,551
Support Services:		
Pupil		1,413
Instructional Staff		40,521
Administration		1,433
Fiscal		985
Operation and Maintenance of Plant		531
Pupil Transportation		72,631
Central		2,332
Operation of non instructional		5,272
Extracurricular Activities		4,671
		<hr/>
Total Depreciation	\$	<hr/> 262,860 <hr/>

**Note 10 – Risk Management**

***A. Property and Liability***

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. 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. There has been no reduction in insurance coverage from the prior year.

***B. Workers' Compensation***

The School District pays the State Workers' Compensation system a premium based on a rate of \$.63 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***C. Employee Medical Benefits***

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

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



## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 11 - Pension Plans**

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

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$215,364, \$196,212, and \$181,836 respectively; 52 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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.

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

## ROOTSTOWN LOCAL SCHOOL DISTRICT

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004*

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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, 2004, plan members were required to contribute 10 percent of their annual covered salaries. 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$640,883, \$571,272, and \$578,892 respectively. Contributions to the DC and Combined Plans for fiscal year 2004 were \$8,529 made by the School District and \$8,290 made by the plan members. \$113,264 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds, 82% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

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

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$44,183 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, the health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

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## ROOTSTOWN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2003 (the latest information available), employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$115,846.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS had approximately 50,000 participants currently receiving health care benefits.

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

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

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

#### **B. Compensated Absences**

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

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

#### **C. Special Termination Benefits**

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

Eligibility requirement for participation in this program:

1. The employee must be eligible for retirement and retire by August first of each year
  2. The employee must have 10 or more full years of continuous service with the School District.
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**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

3. The employee must submit a request at least 30 days prior to the date of retirement.
4. The employee must be eligible by the retirement system standards and must retire by August first in the year in which the employee achieves 30 years' service credit for retirement purposes. After that time, the employee would be ineligible for the retirement incentive plan.

**Note 14 - Long - Term Obligations**

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

	<u>Outstanding 6/30/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2004</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds:					
1996 Energy Conservation 5.6%	\$ 330,000	\$ 0	\$ 75,000	\$ 255,000	\$ 80,000
Total General Obligation Bonds	330,000	0	75,000	255,000	80,000
Compensated Absences	396,338	64,266	28,557	432,047	17,525
Total Governmental Activities Long-Term Liabilities	<u>\$ 726,338</u>	<u>\$ 64,266</u>	<u>\$ 103,557</u>	<u>\$ 687,047</u>	<u>\$ 97,525</u>

In 1996, the School District issued a total of \$645,000 in general obligation bonds for energy conservation in the district. The bonds mature in 2007.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 80,000	\$ 11,338	\$ 91,338
2006	85,000	7,046	92,046
2007	90,000	2,408	92,408
	<u>\$ 255,000</u>	<u>\$ 20,792</u>	<u>\$ 275,792</u>

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**Note 15 – Deferred Revenue**

Deferred revenue consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 3,872,448	\$ 3,988,282

**Note 16 - Interfund Transfers**

The transfer made during fiscal year 2004 was \$90,497 to the debt service fund from the general fund. This transfer was made to move unrestricted balances to fund the current debt service obligation.

**Note 17 - Jointly Governed Organizations**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the year ended June 30, 2004, the School District paid \$20,468 to SPARCC for basic service charges.

**Note 18- Contingencies**

***A. Grants***

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

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**C. School Funding**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**Note 19 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilizaion
Set-Aside Carryover Balance as of June 30, 2003	\$ 0	\$ (100,806)	\$ 151,590
Current Year Set-Aside Requirement	179,324	179,324	0
Amount Returned to General Fund	0	0	(151,590)
Qualifying Disbursements	(295,585)	(195,733)	0
Total	<u>\$ (116,261)</u>	<u>\$ (117,215)</u>	<u>\$ 0</u>

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

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 19, 2004

To the Board of Education  
Rootstown Local School District  
Rootstown, Ohio 44272

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rootstown Local School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rootstown Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Rootstown Local School District in a separate letter dated August 19, 2004.

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

*Rea & Associates, Inc.*





**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
DECEMBER 7, 2004**