

ROOTSTOWN LOCAL SCHOOL DISTRICT  
GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Rootstown Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. 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 black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

October 25, 2002

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ROOTSTOWN LOCAL SCHOOL DISTRICT  
ROOTSTOWN, OHIO

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 12, 2002

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of Rootstown Local School District as of and for the year ended June 30, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Rootstown Local School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds 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 12, 2002, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Rea & Associates, Inc.*

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Combined Balance Sheet*

**All Fund Types and Account Groups**

June 30, 2002

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,742,497	\$ 134,059	\$ 0	\$ 119,658
Restricted Cash	151,590	0	0	0
Receivables:				
Taxes	3,519,697	172,917	0	278,092
Accounts	0	2,372	0	0
Intergovernmental Receivable	282,706	48,012	0	22,274
Prepaid Items	1,641	0	0	0
Inventory	9,950	0	0	0
Fixed Assets (Net)	0	0	0	0
<b>Total Assets</b>	<b>5,708,081</b>	<b>357,360</b>	<b>0</b>	<b>420,024</b>
<b>Other Debits</b>				
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Other Debits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Assets and Other Debits</b>	<b>\$ 5,708,081</b>	<b>\$ 357,360</b>	<b>\$ 0</b>	<b>\$ 420,024</b>
<b>Liabilities, Fund Equity, and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 24,751	\$ 4,933	\$ 0	\$ 16,031
Accrued Wages and Benefits	689,400	8,178	0	0
Compensated Absences Payable	0	0	0	0
Intergovernmental Payable	198,894	2,345	0	0
Deferred Revenue	3,753,438	213,838	0	295,766
Undistributed Monies	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
<b>Total Liabilities</b>	<b>4,666,483</b>	<b>229,294</b>	<b>0</b>	<b>311,797</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	151,902	64,434	0	103,628
Reserved for Inventory	9,950	0	0	0
Reserved for Scholarship	0	0	0	0
Reserved for Budget Stabilization	151,590	0	0	0
Reserved for Tax Revenue Unavailable for Appropriation	48,965	2,922	0	4,600
Unreserved:				
Undesignated	679,191	60,710	0	(1)
<b>Total Fund Equity and Other Credits</b>	<b>1,041,598</b>	<b>128,066</b>	<b>0</b>	<b>108,227</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 5,708,081</b>	<b>\$ 357,360</b>	<b>\$ 0</b>	<b>\$ 420,024</b>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)	
\$ 100,084	\$ 4,904	\$ 66,490	\$ 0	\$ 0		\$ 2,167,692
0	0	0				151,590
0	0	0	0	0		3,970,706
0	0	1,460	0	0		3,832
0	0	0	0	0		352,992
1,300	0	0	0	0		2,941
5,602	0	0	0	0		15,552
46,672	0	0	7,663,141	0		7,709,813
153,658	4,904	67,950	7,663,141	0		14,375,118
0	0	0	0	888,060		888,060
0	0	0	0	888,060		888,060
\$ 153,658	\$ 4,904	\$ 67,950	\$ 7,663,141	\$ 888,060		\$ 15,263,178
\$ 492	\$ 1,351	\$ 0	\$ 0	\$ 0		\$ 47,558
16,941	0	0	0	0		714,519
4,894	0	0	0	410,187		415,081
10,243	0	0	0	77,873		289,355
4,299	0	0	0	0		4,267,341
0	0	20,086	0	0		20,086
0	0	0	0	400,000		400,000
36,869	1,351	20,086	0	888,060		6,153,940
0	0	0	7,663,141	0		7,663,141
116,789	3,553	0	0	0		120,342
0	0	0	0	0		319,964
0	0	0	0	0		9,950
0	0	8,500	0	0		8,500
0	0	0	0	0		151,590
0	0	0	0	0		56,487
0	0	39,364	0	0		779,264
116,789	3,553	47,864	7,663,141	0		9,109,238
\$ 153,658	\$ 4,904	\$ 67,950	\$ 7,663,141	\$ 888,060		\$ 15,263,178

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances*

**All Governmental Fund Types and Expendable Trust Funds**

For the Year Ended June 30, 2002

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Revenues</b>				
Taxes	\$ 3,359,658	\$ 162,530	\$ 0	\$ 256,995
Intergovernmental	4,703,241	259,902	0	48,654
Investment Income	70,219	0	0	0
Tuition and Fees	28,538	0	0	0
Extracurricular Activities	0	79,954	0	0
Charges for Services	20,999	0	0	0
Miscellaneous	6,289	54,231	0	0
<b>Total Revenues</b>	<b>8,188,944</b>	<b>556,617</b>	<b>0</b>	<b>305,649</b>
<b>Expenditures</b>				
Current:				
Instruction				
Regular	3,709,879	225,536	0	0
Special	597,476	106,442	0	0
Vocational	357,748	0	0	56
Other	280,276	1,525	0	0
Support Services:				
Pupils	420,198	8,096	0	0
Instructional Staff	119,867	19,939	0	0
Board of Education	18,502	0	0	0
Administration	591,575	43,185	0	525
Fiscal	243,397	2,603	0	4,134
Business	58,468	0	0	0
Operation and Maintenance of Plant	827,903	1,299	0	0
Pupil Transportation	531,185	1,162	0	86,943
Central	0	3,228	0	0
Operation of Non-Instructional Services	0	35,393	0	24,226
Extracurricular Activities	202,595	89,898	0	0
Capital Outlay	177,120	0	0	173,847
Debt Service:				
Principal Retirement	0	0	65,000	0
Interest and Fiscal Charges	0	0	23,338	0
<b>Total Expenditures</b>	<b>8,136,189</b>	<b>538,306</b>	<b>88,338</b>	<b>289,731</b>
Excess of Revenues Over (Under) Expenditures	52,755	18,311	(88,338)	15,918
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	1,656	0	0	0
Operating Transfers In	0	0	88,338	0
Operating Transfers Out	(88,338)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(86,682)</b>	<b>0</b>	<b>88,338</b>	<b>0</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(33,927)	18,311	0	15,918
Fund Balance at Beginning of Year	1,070,159	109,755	0	92,309
Increase (Decrease) in Reserve for Inventory	5,366	0	0	0
<b>Fund Balance at End of Year</b>	<b>\$ 1,041,598</b>	<b>\$ 128,066</b>	<b>\$ 0</b>	<b>\$ 108,227</b>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type		Totals (Memorandum Only)	
Expendable Trust			
\$	0	\$	3,779,183
	0		5,011,797
	145		70,364
	0		28,538
	0		79,954
	0		20,999
	0		60,520
	145		9,051,355
	0		3,935,415
	0		703,918
	0		357,804
	0		281,801
	0		428,294
	0		139,806
	0		18,502
	0		635,285
	0		250,134
	0		58,468
	0		829,202
	0		619,290
	0		3,228
	0		59,619
	0		292,493
	0		350,967
	0		65,000
	0		23,338
	0		9,052,564
	145		(1,209)
	0		1,656
	0		88,338
	0		(88,338)
	0		1,656
	145		447
	5,737		1,277,960
	0		5,366
\$	5,882	\$	1,283,773

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual*

**All Governmental Fund Types and Expendable Trust Funds**  
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

	GENERAL FUND			SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$ 3,448,987	\$ 3,448,987	\$ 0	\$ 168,227	\$ 168,227	\$ 0
Intergovernmental	4,703,240	4,703,240	0	255,733	255,733	0
Investment Income	70,219	70,219	0	0	0	0
Tuition and Fees	49,537	49,537	0	0	0	0
Extracurricular Activities	0	0	0	78,334	78,334	0
Rentals	3,003	3,003	0	0	0	0
Miscellaneous	3,286	3,286	0	53,764	53,764	0
<b>Total Revenues</b>	<b>8,278,272</b>	<b>8,278,272</b>	<b>0</b>	<b>556,058</b>	<b>556,058</b>	<b>0</b>
<b>Expenditures</b>						
Current:						
Instruction	5,146,680	5,006,177	140,503	395,837	382,855	12,982
Support Services:						
Pupils	440,102	424,170	15,932	0	0	0
Instructional Staff	133,486	128,555	4,931	8,760	8,522	238
Board of Education	27,260	17,963	9,297	28,194	20,919	7,275
Administration	621,535	593,279	28,256	0	0	0
Fiscal	323,497	294,050	29,447	65,817	47,632	18,185
Business	64,812	59,354	5,458	2,603	2,603	0
Operation and Maintenance of Plant	953,342	876,746	76,596	0	0	0
Pupil Transportation	616,828	552,219	64,609	1,299	1,299	0
Central	0	0	0	1,162	1,162	0
Operation of Non-Instructional Services	0	0	0	3,228	3,228	0
Extracurricular Activities	210,512	205,562	4,950	57,025	46,457	10,568
Capital Outlay	150,981	150,981	0	95,169	90,344	4,825
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>8,689,035</b>	<b>8,309,056</b>	<b>379,979</b>	<b>659,094</b>	<b>605,021</b>	<b>54,073</b>
Excess of Revenues Over (Under) Expenditures	(410,763)	(30,784)	379,979	(103,036)	(48,963)	54,073
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Fixed Assets	0	1,656	1,656	0	0	0
Refund of Prior Year Expenditures	0	904	904	0	87	87
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(88,338)	(88,338)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(88,338)</b>	<b>(85,778)</b>	<b>2,560</b>	<b>0</b>	<b>87</b>	<b>87</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(499,101)	(116,562)	382,539	(103,036)	(48,876)	54,160
Fund Balance (Deficit) at Beginning of Year	1,505,325	1,505,325	0	65,717	65,717	0
Prior Year Encumbrances Appropriated	332,486	332,486	0	48,259	48,259	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 1,338,710</b>	<b>\$ 1,721,249</b>	<b>\$ 382,539</b>	<b>\$ 10,940</b>	<b>\$ 65,100</b>	<b>\$ 54,160</b>

See accompanying notes to the general purpose financial statements.

DEBT SERVICE FUND			CAPITAL PROJECT FUND		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 265,237	\$ 265,237	\$ 0
0	0	0	48,655	48,655	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	313,892	313,892	0
0	0	0	56	56	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	525	525	0
0	0	0	10,000	4,134	5,866
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	94,943	94,943	0
0	0	0	0	0	0
0	0	0	25,334	25,334	0
0	0	0	0	0	0
0	0	0	492,951	351,548	141,403
65,000	65,000	0	0	0	0
23,338	23,338	0	0	0	0
88,338	88,338	0	623,809	476,540	147,269
(88,338)	(88,338)	0	(309,917)	(162,648)	147,269
0	0	0	0	0	0
0	0	0	0	0	0
0	88,338	88,338	0	0	0
0	0	0	0	0	0
0	88,338	88,338	0	0	0
(88,338)	0	88,338	(309,917)	(162,648)	147,269
0	0	0	14,924	14,924	0
0	0	0	147,726	147,726	0
\$ (88,338)	\$ 0	\$ 88,338	\$ (147,267)	\$ 2	\$ 147,269

(continued)

**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual*

**All Governmental Fund Types and Expendable Trust Funds**  
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

	EXPENDABLE TRUST FUNDS			TOTALS (MEMORANDUM ONLY)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 3,882,451	\$ 3,882,451	\$ 0
Intergovernmental	0	0	0	5,007,628	5,007,628	0
Investment Income	145	145	0	70,364	70,364	0
Tuition and Fees	0	0	0	49,537	49,537	0
Extracurricular Activities	0	0	0	78,334	78,334	0
Rentals	0	0	0	3,003	3,003	0
Miscellaneous	0	0	0	57,050	57,050	0
<b>Total Revenues</b>	<u>145</u>	<u>145</u>	<u>0</u>	<u>9,148,367</u>	<u>9,148,367</u>	<u>0</u>
<b>Expenditures</b>						
Current:						
Instruction	0	0	0	5,542,573	5,389,088	153,485
Support Services:						
Pupils	0	0	0	440,102	424,170	15,932
Instructional Staff	0	0	0	142,246	137,077	5,169
Board of Education	0	0	0	55,454	38,882	16,572
Administration	0	0	0	622,060	593,804	28,256
Fiscal	0	0	0	399,314	345,816	53,498
Business	0	0	0	67,415	61,957	5,458
Operation and Maintenance of Plant	0	0	0	953,342	876,746	76,596
Pupil Transportation	0	0	0	713,070	648,461	64,609
Central	0	0	0	1,162	1,162	0
Operation of Non-Instructional Services	0	0	0	28,562	28,562	0
Extracurricular Activities	0	0	0	267,537	252,019	15,518
Capital Outlay	0	0	0	739,101	592,873	146,228
Debt Service:						
Principal Retirement	0	0	0	65,000	65,000	0
Interest and Fiscal Charges	0	0	0	23,338	23,338	0
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,060,276</u>	<u>9,478,955</u>	<u>581,321</u>
Excess of Revenues Over (Under) Expenditures	<u>145</u>	<u>145</u>	<u>0</u>	<u>(911,909)</u>	<u>(330,588)</u>	<u>581,321</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Fixed Assets	0	0	0	0	1,656	1,656
Refund of Prior Year Expenditures	0	0	0	0	991	991
Operating Transfers In	0	0	0	0	88,338	88,338
Operating Transfers Out	0	0	0	(88,338)	(88,338)	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(88,338)</u>	<u>2,647</u>	<u>90,985</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>145</u>	<u>145</u>	<u>0</u>	<u>(1,000,247)</u>	<u>(327,941)</u>	<u>672,306</u>
Fund Balance (Deficit) at Beginning of Year	<u>5,737</u>	<u>5,737</u>	<u>0</u>	<u>1,591,703</u>	<u>1,591,703</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>528,471</u>	<u>528,471</u>	<u>0</u>
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 5,882</u>	<u>\$ 5,882</u>	<u>\$ 0</u>	<u>\$ 1,119,927</u>	<u>\$ 1,792,233</u>	<u>\$ 672,306</u>

See accompanying notes to the general purpose financial statements.

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**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues,  
Expenses, and Changes in Fund Equity*  
**All Proprietary Fund Types and Non-Expendable Trust Funds**

For the Year Ended June 30, 2002

	<b>Proprietary Fund Types</b>		<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Non-Expendable Trust</b>	
<b><u>Operating Revenues</u></b>				
Sales	\$ 250,211	\$ 0	\$ 0	\$ 250,211
Other Operating Revenues	0	14,541	500	15,041
<b><i>Total Operating Revenues</i></b>	<b>250,211</b>	<b>14,541</b>	<b>500</b>	<b>265,252</b>
<b><u>Operating Expenses</u></b>				
Salaries	115,332	0	0	115,332
Fringe Benefits	27,712	0	0	27,712
Purchased Services	10,179	417	0	10,596
Materials and Supplies	161,206	0	0	161,206
Depreciation	6,926	0	0	6,926
Capital Outlay	248	0	0	248
Other Operating Expenses	0	13,877	2,000	15,877
<b><i>Total Operating Expenses</i></b>	<b>321,603</b>	<b>14,294</b>	<b>2,000</b>	<b>337,897</b>
Operating Income (Loss)	(71,392)	247	(1,500)	(72,645)
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Operating Grants	57,409	0	0	57,409
Interest	715	0	1,001	1,716
<b><i>Total Non-Operating Revenues (Expenses)</i></b>	<b>58,124</b>	<b>0</b>	<b>1,001</b>	<b>59,125</b>
Net Income (Loss)	(13,268)	247	(499)	(13,520)
Retained Earnings/Fund Balance at Beginning of Year	130,057	3,306	42,481	175,844
<b>Total Fund Equity at End of Year</b>	<b>\$ 116,789</b>	<b>\$ 3,553</b>	<b>\$ 41,982</b>	<b>\$ 162,324</b>

See accompanying notes to the general purpose financial statements.



**ROOTSTOWN LOCAL SCHOOL DISTRICT**

*Combined Statement of Cash Flows*

**All Proprietary Fund Types and Non-Expendable Trust Funds**

For the Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Non-Expendable Trust	Totals (Memorandum Only)
<b>Cash Flows From Operating Activities</b>				
Cash Received from Customers	\$ 250,211	\$ 0	\$ 0	\$ 250,211
Cash Paid for Goods and Services	(169,533)	(12,943)	0	(182,476)
Cash Paid to Employees	(140,651)	0	0	(140,651)
Other Operating Income	0	14,541	500	15,041
Other Operating Expenses	0	0	(2,000)	(2,000)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(59,973)	1,598	(1,500)	(59,875)
<b>Cash Flows From Non-Capital Financing Activities</b>				
Investment Earnings	715	0	1,001	1,716
Grants	57,409	0	0	57,409
<i>Net Cash Provided By Non-Capital Activities</i>	58,124	0	1,001	59,125
<b>Cash Flows From Capital and Related Financing Activities</b>				
Payments for Capital Acquisitions	0	0	0	0
<i>Net Cash Provided By (Used For) Capital and Related Financing Activities</i>	0	0	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	(1,849)	1,598	(499)	(750)
Cash and Cash Equivalents at Beginning of Year	101,933	3,306	42,481	147,720
<i>Cash and Cash Equivalents at End of Year</i>	\$ 100,084	\$ 4,904	\$ 41,982	\$ 146,970
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>				
Operating Income (Loss)	\$ (71,392)	\$ 247	\$ (1,500)	\$ (72,645)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>				
Depreciation	6,926	0	0	6,926
(Increase) Decrease in Assets:				
Intergovernmental Receivable	0	0	0	0
Accounts Receivable	0	0	0	0
Inventory	(1,916)	0	0	(1,916)
Prepaid Items	(1,300)	0	0	(1,300)
Increase (Decrease) in Liabilities:				
Accounts Payable	414	1,351	0	1,765
Contracts Payable	603	0	0	603
Deferred Revenue	4,299	0	0	4,299
Wages and Benefits	2,035	0	0	2,035
Compensated Absences	358	0	0	358
<i>Total Adjustments</i>	11,419	1,351	0	12,770
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (59,973)	\$ 1,598	\$ (1,500)	\$ (59,875)

Reconciliation of Non-Expendable Trust Fund Cash Balance as of June 30, 2002:

Total Cash and Cash Equivalents per Balance Sheet, Trust and Agency Funds	\$ 66,490
Cash and Cash Equivalents Agency Fund	(18,626)
Cash and Cash Equivalents Expendable Trust	(5,882)
Cash and Cash Equivalents Non-Expendable Trust Funds	<u>\$ 41,982</u>

See accompanying notes to the general purpose financial statements.

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
June 30, 2002

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***NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY***

The Rootstown Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2001, was 1,332. The District employs 102 certificated and 57 non-certificated employees.

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

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

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

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

(A) ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION***

The accounts of the Rootstown Local School District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Rootstown Local School District has the following fund types and account groups:

***GOVERNMENTAL FUND TYPES***

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable"

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
June 30, 2002

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means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

*General Fund* - used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from proprietary funds.

*Capital Projects Fund* - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

**PROPRIETARY FUND TYPES**

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the Board of Education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with GASB pronouncements. Proprietary funds include the following fund types:

*Enterprise Funds* - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
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*Internal Service Fund* - used to account for the financing of goods or services provided by one department or agency to governmental units, on a cost-reimbursement basis.

**FIDUCIARY FUND TYPES**

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

*Expendable Trust Fund* - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

*Nonexpendable Trust Fund* - is a fund for endowment-like trust arrangements, accounted for much like a proprietary fund.

*Agency Fund* - custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

**ACCOUNT GROUPS**

The District maintains two account groups as described below:

*General Fixed Assets Account Group* - used to account for fixed assets acquired for general purposes other than those accounted for in proprietary or trust funds.

*General Long-term Obligations Account Group* - used to account for the outstanding principal balances of general obligation bonds, debt, and other long-term obligations not reported in proprietary funds.

**(B) DEPOSITS AND INVESTMENTS**

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned on investments is credited to the respective fund, except as stipulated by state statute or Board resolution. Investments are stated at cost which approximates fair value at year-end. Cash deposits are reported at carrying amount, which reasonably estimated fair value.

The District has also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002.

**(C) RESTRICTED ASSETS**

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June 30, 2002

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Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget reserve. This cash is restricted by the District and can be used only after receiving approval from the District Board of Education. A fund balance reserve has also been established.

(D) *RECEIVABLES*

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

(E) *INVENTORIES AND SUPPLIES*

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

(F) *PREPAID EXPENSES*

The District uses the consumption method to account for prepaid expenses. Under the consumption method the prepaid items are recorded as an expenditure when used.

(G) *FIXED ASSETS AND DEPRECIATION*

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years.

(H) *LONG-TERM LIABILITIES*

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term obligations account group.

(I) *UNPAID COMPENSATED ABSENCES*

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds. The portion of unpaid compensated absences related to governmental fund type operations is reflected in the general long-term debt account group.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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

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*Notes to the General Purpose Financial Statement*  
June 30, 2002

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benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

(J) *FUND EQUITY*

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

(K) *TOTAL COLUMNS*

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

***NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES***

For fiscal year 2002, the District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The statements established accounting and reporting guidelines for governments' decisions about when (in the fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The implementation of GASB Statement No. 33 and 36 did not have a material effect on fund balance/retained earnings as it was previously reported as of June 30, 2001.

***NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

(A) *BUDGETARY PROCESS*

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 required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

(B) *BUDGETARY BASIS*

*Tax Budget*

A budget of estimated revenue and expenditures is submitted to the Portage County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

*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

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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. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" do not include July 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations.

*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 fund, function level 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 allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds" represent the final appropriation amounts including all amendments and modifications.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

*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. The Ohio Revised Code prohibits the sum of expenditures and encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent-year expenditures.

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*Notes to the General Purpose Financial Statement*  
June 30, 2002

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*Budgetary Reporting*

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, relies upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds” is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP Basis) are that:

- 1) Revenues are recorded when received (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
- 4) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- 5) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- 6) The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.



ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
 June 30, 2002

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)  
Reconciliation of Budget Basis to GAAP Basis

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Budget Basis	\$ (116,562)	\$ (48,876)	\$ 0	\$ (162,648)	\$ 145
Adjustments, increase (decrease)					
Revenue accruals	(90,232)	472	0	(8,242)	0
Expenditures accruals	25	(2,247)	0	67,149	0
Encumbrances	172,842	68,962	0	119,659	0
GAAP basis, as reported	<u>\$ (33,927)</u>	<u>\$ 18,311</u>	<u>\$ 0</u>	<u>\$ 15,918</u>	<u>\$ 145</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

(A) **LEGAL REQUIREMENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the 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.

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
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Interim monies can be deposited or invested in the following securities:

- 1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding thirty days;
- 4) Bonds and other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt instruments 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 Rootstown Local School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
 June 30, 2002

(B) *DEPOSITS*

At year-end, the carrying amount of the Rootstown Local School District deposits was \$1,083,527 and the bank balance was \$1,223,911 of which \$100,000 was covered by federal depository insurance. \$1,123,911 was covered by collateral held by the Rootstown Local School District, collateral held by a qualified third party trustee in the name of Rootstown Local School District or by collateral held by a qualified third party trustee not in the name of Rootstown Local School District. The District also has \$100 in petty cash funds.

(C) *INVESTMENTS*

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the 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 District's name.

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless a counterpart is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository.

	Category			Carrying	Fair
	1	2	3	Value	Value
Repurchase Agreement	\$ 0	\$ 0	\$ 679,683	\$ 679,683	\$ 679,683
Mutual Funds				12,298	12,298
Investment in State Treasurer's Investment Pool				543,674	543,674
Total Investments				\$ 1,235,655	\$ 1,235,655

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
 June 30, 2002

**NOTE 5 - FIXED ASSETS AND ACCUMULATED DEPRECIATION**

(A) *GENERAL FIXED ASSETS ACCOUNT GROUP*

The changes in general fixed assets during the year consisted of:

	Balance <u>6/30/2001</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/2002</u>
Land and Improvements	\$ 861,464	\$ 406,041	\$ 0	\$ 1,267,505
Buildings	3,288,003	100,346	0	3,388,349
Furniture and Equipment	1,908,637	129,915	12,698	2,025,854
Vehicles	797,673	183,760	0	981,433
Construction in Process	<u>83,181</u>	<u>0</u>	<u>83,181</u>	<u>0</u>
	<u>\$ 6,938,958</u>	<u>\$ 820,062</u>	<u>\$ 95,879</u>	<u>\$ 7,663,141</u>

(B) *PROPRIETARY FUND TYPE FIXED ASSETS*

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	Balance <u>June 30, 2002</u>
Equipment	\$ 112,097
Less: accumulated depreciation	<u>(65,425)</u>
Net fixed assets	<u>\$ 46,672</u>

**NOTE 6 - GENERAL LONG TERM OBLIGATIONS**

	Outstanding <u>June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding <u>June 30, 2002</u>
Energy Conservation Loan at 5.6%	\$ 465,000	\$ 0	\$ 65,000	\$ 400,000
Accrued vacations	27,735	31,155	27,735	31,155
Accrued sick leave benefits	334,895	34,137	0	369,032
Accrued SERS/STRS	57,624	60,851	57,624	60,851
SERS Surcharge	18,326	17,022	18,326	17,022
Retirement Incentive	<u>35,000</u>	<u>0</u>	<u>25,000</u>	<u>10,000</u>
	<u>\$ 938,580</u>	<u>\$ 143,165</u>	<u>\$ 193,685</u>	<u>\$ 888,060</u>

Outstanding general obligation notes consist of school building construction issues.

ROOTSTOWN LOCAL SCHOOL DISTRICT  
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General obligation notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

The annual requirement to amortize all debt outstanding as of June 30, 2002 including interest payments of \$55,848 follows:

Year Ending June 30,	Energy <u>Conservation Loan</u>
2003	\$ 89,558
2004	90,498
2005	91,338
2006	92,046
2007	<u>92,408</u>
Total	<u>\$ 455,848</u>

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Portage County Auditor is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Portage County Auditor reappraises real property every six years with a triennial update, which was last completed for 1997. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Portage County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 2001 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$57.36 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$25.63 per \$1,000 of assessed valuation for residential and agricultural real property, and \$28.75 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2001 was \$57.36 per \$1,000 of valuation.

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
June 30, 2002

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The property valuation consisted of:

Real Property - 2001	
Residential/Agricultural	\$ 104,743,220
Commercial/Industrial	11,737,920
Public Utilities	32,240
Manufactured Homes	1,749,915
Tangible Personal Property - 2001	
General	8,977,943
Public Utilities	<u>10,713,030</u>
Total Valuation	<u>\$ 137,954,268</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2002, was \$56,487.

**NOTE 8 - PENSION PLANS**

(A) *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)*

The Rootstown Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and Rootstown Local School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Rootstown Local School District are established by and may be amended by the SERS Board of Trustees. The School District's contributions to SERS for the years ending June 30, 2002, 2001, and 2000 were \$181,836, \$162,402, and \$151,920, respectively; 48.58 percent has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. The amount representing the unpaid contribution for fiscal year 2002, \$93,492, is recorded as a liability within the respective funds and the general long-term obligations account group.

(B) *STATE TEACHERS RETIREMENT SYSTEM (STRS)*

The Rootstown Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
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Plan members are required to contribute 9.3% of their annual covered salary and Rootstown Local School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Rootstown Local School District are established by and may be amended by the STRS Board of Trustees. The School District's contributions to STRS for the years ending June 30, 2002, 2001, and 2000 were \$578,892, \$561,168, and, \$538,992, respectively; 83.16 percent has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. The amount representing the unpaid contribution for fiscal year 2002, \$97,500 is recorded as a liability within the respective funds.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

(A) *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)*

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service. 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.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, (the latest information available) the allocation rate was 9.80%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400.

Health care benefits are financed on a pay-as-you-go basis.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits was \$315.7 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion of employer contributions that were used to fund postemployment benefits was \$144,307.

(B) *STATE TEACHERS RETIREMENT SYSTEM (STRS)*

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

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*Notes to the General Purpose Financial Statement*  
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The Retirement Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001, (the latest information available). For the year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.



ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
 June 30, 2002

**NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains enterprise funds to account for the operation of school food service and uniform school supplies. Segment information related to these follows:

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating revenues	\$ 231,454	\$ 18,757	\$ 250,211
Operating expenses			
Salaries and wages	115,332	0	115,332
Fringe benefits	27,712	0	27,712
Purchased services	10,179	0	10,179
Materials and supplies	137,646	23,560	161,206
Capital outlay	248	0	248
Depreciation	6,926	0	6,926
Total operating expenses	<u>298,043</u>	<u>23,560</u>	<u>321,603</u>
Operating income (loss)	(66,589)	(4,803)	(71,392)
Non-operating revenues, net	<u>58,124</u>	<u>0</u>	<u>58,124</u>
Net income (loss)	<u>\$ (8,465)</u>	<u>\$ (4,803)</u>	<u>\$ (13,268)</u>
Other information			
Net working capital	<u>\$ 66,074</u>	<u>\$ 4,043</u>	<u>\$ 70,117</u>
Fixed assets, net	<u>\$ 46,672</u>	<u>\$ 0</u>	<u>\$ 46,672</u>
Total assets	<u>\$ 149,615</u>	<u>\$ 4,043</u>	<u>\$ 153,658</u>
Total equity	<u>\$ 112,746</u>	<u>\$ 4,043</u>	<u>\$ 116,789</u>

**NOTE 11 - 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

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
June 30, 2002

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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, 2002, the District paid \$20,451 to SPARCC for basic service charges.

***NOTE 12 - RISK MANAGEMENT***

The 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 District has a comprehensive property and casualty policy with Nationwide Insurance Company (a commercial insurance company). The deductible is \$1,000 per incident on property and \$100 per incident on equipment. All vehicles are also insured with Nationwide Insurance Company and have a \$250 deductible. All board members, administrators, and employees are covered under a school district liability policy with Nationwide Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 per aggregate. The board president and superintendent have a \$20,000 position bond with Nationwide Mutual Insurance Company.

The treasurer is covered under a surety bond in the amount of \$200,000 provided by the Nationwide Mutual Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

***NOTE 13 - STATE SCHOOL FUNDING PROGRAM***

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

ROOTSTOWN LOCAL SCHOOL DISTRICT  
*Notes to the General Purpose Financial Statement*  
 June 30, 2002

**NOTE 14 – STATUTORY RESERVES**

Substitute House Bill 412, as amended, required the District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the District’s general fund or may be left in the account and used by the Board to offset any budget deficit the District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, for the textbooks or instructional materials; for purchase of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2002, the reserve activity (GAAP-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Reserve</u>	<u>Total</u>
Balance 7/1/01	\$ 0	\$ 0	\$ 151,590	\$ 151,590
Required Set-Aside	158,414	158,414	0	316,828
Carry forward expenditures 2001	(12,062)	0	0	(12,062)
Qualifying Expenditures	<u>190,612</u>	<u>327,941</u>	<u>0</u>	<u>518,553</u>
Total	<u>\$ (44,260)</u>	<u>\$ (169,527)</u>	<u>\$ 151,590</u>	<u>\$ (62,197)</u>
Cash Balance Carried Forward FY 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 151,590</u>	
Amount Restricted for Set-Asides				<u>\$ 151,590</u>
Total Restricted Assets				<u>\$ 151,590</u>

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 12, 2002

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

## **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 general purpose financial statements of Rootstown Local School District, as of and for the year ended June 30, 2002 and have issued our report thereon dated August 12, 2002. 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 the District's general purpose 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Rootstown Local School District in a separate letter dated August 12, 2002.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose 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 another matter involving the internal control over financial reporting that we have reported to management of Rootstown Local School District in a separate letter dated August 12, 2002.

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

*Rea & Associates, Inc.*



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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  
NOVEMBER 7, 2002**