



OHIO AUDITOR OF STATE
KEITH FABER



**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Mogadore Local School District
Summit County
1 South Cleveland Avenue
Mogadore, Ohio 44260

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mogadore Local School District, Summit County, Ohio (the District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

Fiscal Year Ended June 30, 2020:

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Fiscal Year Ended June 30, 2019:

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Building Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

The District did not maintain an asset listing to support additions to depreciable capital assets during fiscal year 2020. The District's GAAP compiler also added assets that had been destroyed in a fire during fiscal year 2018 back into the balances during fiscal year 2020 by using the District's valuation company's report to calculate the ending capital asset balance at June 30, 2020. Construction in Progress amounts were overstated in fiscal year 2019 and understated in fiscal year 2020 due to improper accrual of contracts payable in 2019. These items are the result of the District not following their own capital asset policies and procedures. The impact of these discrepancies on the net capital assets recorded in the financial statements cannot reasonably be determined and; therefore, a determination on whether the capital assets (along with its impact on net position and current year depreciation) are fairly stated cannot be made.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Governmental Activities* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities of the District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities as of June 30, 2019, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020 and 2019, and the respective changes in its financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the June 30, 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 20, 2022

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Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The discussion and analysis of the Mogadore Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. 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 2020 are as follows:

- Net position increased \$94,994 from fiscal year 2019.
- Capital assets increased \$2,307,550 from fiscal year 2019.
- During the fiscal year, outstanding debt decreased from \$12,986,869 to \$12,009,884.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, pupil transportation, extracurricular activities, and non-instructional services, i.e., food service operations.

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 a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Reporting the School District's Fiduciary Responsibilities

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

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
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The School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2020 compared to 2019:

Table 1
Net Position

	Governmental Activities		
	2020	2019	Change
Assets			
Current and Other Assets	\$ 8,252,834	\$ 11,554,606	\$ (3,301,772)
Net OPEB Asset	723,330	703,121	20,209
Capital Assets	17,925,482	15,617,932	2,307,550
<i>Total Assets</i>	<u>26,901,646</u>	<u>27,875,659</u>	<u>(974,013)</u>
Deferred Outflows of Resources			
Deferred Charges on Refunding	202,176	219,024	(16,848)
Pension/OPEB	2,617,588	3,378,408	(760,820)
<i>Total Deferred Outflows of Resources</i>	<u>2,819,764</u>	<u>3,597,432</u>	<u>(777,668)</u>
Liabilities			
Other Liabilities	1,081,577	1,773,060	(691,483)
Long-Term Liabilities:			
Due Within One Year	1,016,933	1,005,304	11,629
Due in More Than One Year:			
Net Pension Liability	11,736,278	11,555,787	180,491
Net OPEB Liability	893,213	952,548	(59,335)
Other Amounts	11,763,997	12,726,178	(962,181)
<i>Total Liabilities</i>	<u>26,491,998</u>	<u>28,012,877</u>	<u>(1,520,879)</u>
Deferred Inflows of Resources			
Property Taxes	3,934,882	3,947,624	(12,742)
Pension/OPEB	1,796,283	2,109,337	(313,054)
<i>Total Deferred Inflows of Resources</i>	<u>5,731,165</u>	<u>6,056,961</u>	<u>(325,796)</u>
Net Position			
Net Investment in Capital Assets	6,090,638	3,765,525	2,325,113
Restricted	726,733	1,069,431	(342,698)
Unrestricted	(9,319,124)	(7,431,703)	(1,887,421)
<i>Total Net Position</i>	<u>\$ (2,501,753)</u>	<u>\$ (2,596,747)</u>	<u>\$ 94,994</u>

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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2020, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the School District's proportionate share of each plan's collective:

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for

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fiscal year 2020 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

At year end, capital assets represented 67 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The net investment in capital assets was \$6,090,638 at June 30, 2020. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$726,733 or 29 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$9,319,124 which is primarily the result of GASB 68 and 75.

In fiscal year 2020, current and other assets in pooled cash and investments decreased as a result of expending proceeds from the 2019 lease purchase for the continued construction of the fieldhouse project. This also resulted in a decrease in construction in process and contracts payable for fiscal year 2020.

There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

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(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2020 and 2019.

Table 2
Changes in Net Position

	Governmental Activities		
	2020	2019	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 1,874,980	\$ 2,074,874	\$ (199,894)
Operating Grants	930,625	785,004	145,621
<i>Total Program Revenues</i>	<u>2,805,605</u>	<u>2,859,878</u>	<u>(54,273)</u>
<i>General Revenues:</i>			
Property Taxes	4,353,000	4,723,418	(370,418)
Grants and Entitlements Not Restricted	4,997,494	5,151,358	(153,864)
Other	149,980	230,447	(80,467)
<i>Total General Revenues</i>	<u>9,500,474</u>	<u>10,105,223</u>	<u>(604,749)</u>
Extraordinary Item	672,501	0	672,501
<i>Total Revenues and Extraordinary Item</i>	<u>12,978,580</u>	<u>12,965,101</u>	<u>13,479</u>
Program Expenses			
<i>Instruction:</i>			
Regular	5,546,475	4,132,290	1,414,185
Special	1,381,458	1,170,507	210,951
Vocational	167,311	124,286	43,025
Student Intervention Services	481,831	396,187	85,644
Other	202,478	213,339	(10,861)
<i>Support Services:</i>			
Pupils	539,715	658,974	(119,259)
Instructional Staff	404,794	341,108	63,686
Board of Education	65,048	92,795	(27,747)
Administration	966,683	693,993	272,690
Fiscal	379,757	341,161	38,596
Operation and Maintenance of Plant	997,420	1,031,516	(34,096)
Pupil Transportation	489,879	450,048	39,831
Central	62,382	73,237	(10,855)
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	277,210	273,011	4,199
Community Services	0	1,740	(1,740)
Extracurricular Activities	523,444	438,516	84,928
<i>Debt Service:</i>			
Interest and Fiscal Charges	397,701	261,779	135,922
<i>Total Expenses</i>	<u>12,883,586</u>	<u>10,694,487</u>	<u>2,189,099</u>
<i>Increase (Decrease) in Net Position</i>	94,994	2,270,614	(2,175,620)
<i>Net Position at Beginning of Year</i>	<u>(2,596,747)</u>	<u>(4,867,361)</u>	<u>2,270,614</u>
<i>Net Position at End of Year</i>	<u>\$ (2,501,753)</u>	<u>\$ (2,596,747)</u>	<u>94,994</u>

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There was an increase in the extraordinary item for fiscal year 2020 as the School District received more insurance proceeds that originally anticipated. Overall, program expenses increased significantly. The changes in program expenses are primarily associated to changes in the School District's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

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.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2020	2019	2020	2019
Instruction:				
Regular	\$ 5,546,475	\$ 4,132,290	\$ 3,874,996	\$ 2,295,905
Special	1,381,458	1,170,507	607,540	564,840
Vocational	167,311	124,286	140,018	104,380
Student Intervention Services	481,831	396,187	481,831	396,187
Other	202,478	213,339	202,478	213,339
Support Services:				
Pupils	539,715	658,974	538,689	658,342
Instructional Staff	404,794	341,108	402,576	334,458
Board of Education	65,048	92,795	65,048	92,795
Administration	966,683	693,993	966,683	693,993
Fiscal	379,757	341,161	379,757	341,161
Operation and Maintenance of Plant	997,420	1,031,516	997,420	1,031,516
Pupil Transportation	489,879	450,048	489,879	450,048
Central	62,382	73,237	56,982	67,837
Operation of Non-Instructional Services:				
Food Service Operations	277,210	273,011	67,870	8,174
Community Services	0	1,740	0	208
Extracurricular Activities	523,444	438,516	408,513	319,647
Debt Service:				
Interest and Fiscal Charges	397,701	261,779	397,701	261,779
Total Expenses	\$ 12,883,586	\$ 10,694,487	\$ 10,077,981	\$ 7,834,609

The dependence upon general revenues for governmental activities is apparent. Over 78 percent of governmental activities are supported through taxes and other general revenues; such revenues are 73 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

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Governmental Funds

The School District's major funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2020 was a decrease of \$1,382,171, primarily due to transfers to other funds for the fieldhouse project.

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 2020, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

There were no significant variances between the original and final budgeted revenues or expenditures.

For the general fund, actual budget basis revenue was lower than the final budget basis revenue. Most of this difference is primarily due to an underestimation of tuition and fees and intergovernmental revenue.

Final appropriations were higher than the actual expenditures, as cost savings were recognized for instruction and student support services throughout the year.

There were no significant variances to discuss within other financing sources and uses.

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Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2020 balances compared with 2019.

Table 4
Capital Assets at June 30

	Governmental Activities	
	2020	2019
Land	\$ 183,353	\$ 183,353
Construction in Progress	6,319,546	3,759,562
Land Improvements	1,231,712	1,209,355
Buildings and Improvements	15,912,704	15,642,736
Furniture and Equipment	1,777,716	1,736,393
Vehicles	913,317	903,616
Accumulated Depreciation	(8,412,866)	(7,817,083)
<i>Totals</i>	<u>\$ 17,925,482</u>	<u>\$ 15,617,932</u>

The increase in capital assets was attributable to additions to construction in progress for the construction of a new fieldhouse, as previously discussed. See Note 8 for more information about the capital assets of the School District.

Debt

Table 5 summarizes debt outstanding. See Note 13 for additional details.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2020	2019
2016 Refunding Certificates of Participation	\$ 1,275,000	\$ 1,365,000
2012 Refunding Bonds	5,985,000	6,415,000
Lease-Purchase Agreements	4,454,864	4,887,264
Refunding Bonds Premium	295,020	319,605
<i>Totals</i>	<u>\$ 12,009,884</u>	<u>\$ 12,986,869</u>

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Current Issues

The School District placed an operating levy on the May 2015 special election, which passed. This levy raises approximately \$496,000 per year. The School District has managed the expenditures very well. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District's continuous improvement plan.

The financial future of the School District, due to the passage of the levy and additional State funds, looks much better. The School District expects to be solvent for the next 2 to 3 years.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant fluctuation in fair value, consistent with the general fluctuation in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, due to the dynamic environment and changes in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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 Mr. Chris Adams, Treasurer of Mogadore Local School District, 1 S Cleveland Ave., Mogadore, Ohio 44260, or call 330-628-9946.

Mogadore Local School District
Summit County, Ohio
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 3,373,397
Cash and Cash Equivalents in Segregated Accounts	1,349
Restricted Cash and Cash Equivalents	31,768
Receivables:	
Intergovernmental	374,213
Property Taxes	4,472,107
Net OPEB Asset	723,330
Nondepreciable Capital Assets	6,502,899
Depreciable Capital Assets (Net)	11,422,583
<i>Total Assets</i>	26,901,646
Deferred Outflows of Resources	
Deferred Charges on Debt Refunding	202,176
Pension	2,359,293
OPEB	258,295
<i>Total Deferred Outflows of Resources</i>	2,819,764
Liabilities	
Accounts Payable	43,040
Accrued Wages and Benefits	790,811
Contracts Payable	27,136
Intergovernmental Payable	213,435
Matured Compensated Absences Payable	7,155
Long Term Liabilities:	
Due Within One Year	1,016,933
Due In More Than One Year:	
Net Pension Liability	11,736,278
Net OPEB Liability	893,213
Other Amounts Due in More Than One Year	11,763,997
<i>Total Liabilities</i>	26,491,998
Deferred Inflows of Resources	
Property Taxes Levied for the Next Fiscal Year	3,934,882
Pension	632,659
OPEB	1,163,624
<i>Total Deferred Inflows of Resources</i>	5,731,165
Net Position	
Net Investment in Capital Assets	6,090,638
Restricted For:	
Capital Outlay	144,041
Debt Service	314,810
Set Asides	31,768
Other Purposes	236,114
Unrestricted	(9,319,124)
<i>Total Net Position</i>	\$ (2,501,753)

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 5,546,475	\$ 1,662,047	\$ 9,432	\$ (3,874,996)
Special	1,381,458	3,798	770,120	(607,540)
Vocational	167,311	0	27,293	(140,018)
Student Intervention Services	481,831	0	0	(481,831)
Other	202,478	0	0	(202,478)
Support Services:				
Pupils	539,715	0	1,026	(538,689)
Instructional Staff	404,794	2,218	0	(402,576)
Board of Education	65,048	0	0	(65,048)
Administration	966,683	0	0	(966,683)
Fiscal	379,757	0	0	(379,757)
Operation and Maintenance of Plant	997,420	0	0	(997,420)
Pupil Transportation	489,879	0	0	(489,879)
Central	62,382	0	5,400	(56,982)
Operation of Non-Instructional Services:				
Food Service Operations	277,210	96,219	113,121	(67,870)
Extracurricular Activities	523,444	110,698	4,233	(408,513)
Debt Service:				
Interest and Fiscal Charges	397,701	0	0	(397,701)
Total	\$ 12,883,586	\$ 1,874,980	\$ 930,625	(10,077,981)

General Revenues

Property Taxes Levied for:

General Purposes	3,820,552
Debt Service	341,141
Capital Outlay	191,307
Grants and Entitlements Not Restricted to Specific Programs	4,997,494
Investment Earnings	75,690
Miscellaneous	74,290

Total General Revenues 9,500,474

Extraordinary Item (See Note 2) 672,501

Total General Revenues and Extraordinary Item 10,172,975

Change in Net Position 94,994

Net Position Beginning of Year (2,596,747)

Net Position End of Year \$ (2,501,753)

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 2,806,492	\$ 566,905	\$ 3,373,397
Cash and Cash Equivalents in Segregated Accounts	0	1,349	1,349
Restricted Cash and Investments	31,768	0	31,768
Receivables:			
Interfund	307,839	0	307,839
Intergovernmental	17,406	356,807	374,213
Property Taxes	3,935,267	536,840	4,472,107
<i>Total Assets</i>	<u>\$ 7,098,772</u>	<u>\$ 1,461,901</u>	<u>\$ 8,560,673</u>
Liabilities			
Accounts Payable	\$ 39,664	\$ 3,376	\$ 43,040
Accrued Wages and Benefits	733,169	57,642	790,811
Contracts Payable	0	27,136	27,136
Intergovernmental Payable	167,922	45,513	213,435
Matured Compensated Absences Payable	7,155	0	7,155
Interfund Payable	0	307,839	307,839
<i>Total Liabilities</i>	<u>947,910</u>	<u>441,506</u>	<u>1,389,416</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Fiscal Year	3,467,169	467,713	3,934,882
Unavailable Revenue - Delinquent Property Taxes	67,560	9,796	77,356
Unavailable Revenue - Other	17,406	356,807	374,213
<i>Total Deferred Inflows of Resources</i>	<u>3,552,135</u>	<u>834,316</u>	<u>4,386,451</u>
Fund Balances			
Nonspendable	378	0	378
Restricted	31,768	620,854	652,622
Committed	0	0	0
Assigned	507,512	0	507,512
Unassigned	2,059,069	(434,775)	1,624,294
<i>Total Fund Balances</i>	<u>2,598,727</u>	<u>186,079</u>	<u>2,784,806</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 7,098,772</u>	<u>\$ 1,461,901</u>	<u>\$ 8,560,673</u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total Governmental Fund Balances		\$ 2,784,806
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,925,482
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 77,356	
Intergovernmental	374,213	451,569
In the statement of activities, a loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding loss is reported when bonds are issued.		202,176
The net pension and OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	723,330	
Deferred Outflows - Pension	2,359,293	
Deferred Outflows - OPEB	258,295	
Net Pension Liability	(11,736,278)	
Net OPEB Liability	(893,213)	
Deferred Inflows - Pension	(632,659)	
Deferred Inflows - OPEB	(1,163,624)	(11,084,856)
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	(5,985,000)	
Certificates of Participation	(1,275,000)	
Lease-Purchase Agreements	(4,454,864)	
Premium on Refunding Bonds	(295,020)	
Compensated Absences	(771,046)	(12,780,930)
 <i>Net Position of Governmental Activities</i>		 <u>\$ (2,501,753)</u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 3,805,683	\$ 531,141	\$ 4,336,824
Intergovernmental	5,072,996	484,714	5,557,710
Investment Income	75,690	0	75,690
Tuition and Fees	1,679,810	0	1,679,810
Extracurricular Activities	21,114	77,837	98,951
Charges for Services	0	96,219	96,219
Contributions and Donations	4,155	22,078	26,233
Miscellaneous	74,150	140	74,290
<i>Total Revenues</i>	<u>10,733,598</u>	<u>1,212,129</u>	<u>11,945,727</u>
Expenditures			
Current:			
Instruction:			
Regular	5,071,685	39,002	5,110,687
Special	991,878	289,923	1,281,801
Vocational	155,059	3,600	158,659
Student Intervention Services	481,559	0	481,559
Other	198,505	0	198,505
Support Services:			
Pupils	524,809	500	525,309
Instructional Staff	388,394	0	388,394
Board of Education	63,534	0	63,534
Administration	889,069	0	889,069
Fiscal	348,721	8,062	356,783
Operation and Maintenance of Plant	957,492	72,542	1,030,034
Pupil Transportation	399,737	0	399,737
Central	62,382	0	62,382
Extracurricular Activities	253,831	139,892	393,723
Operation of Non-Instructional Services:			
Food Service Operations	0	263,711	263,711
Capital Outlay	0	1,116,986	1,116,986
Debt Service:			
Principal Retirement	72,400	880,000	952,400
Interest and Fiscal Charges	5,361	400,077	405,438
<i>Total Expenditures</i>	<u>10,864,416</u>	<u>3,214,295</u>	<u>14,078,711</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(130,818)</u>	<u>(2,002,166)</u>	<u>(2,132,984)</u>
Other Financing Sources (Uses)			
Transfers In	0	1,376,333	1,376,333
Transfers Out	(1,251,353)	(124,980)	(1,376,333)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,251,353)</u>	<u>1,251,353</u>	<u>0</u>
Extraordinary Item			
Extraordinary Item (See Note 2)	0	672,501	672,501
<i>Net Change in Fund Balance</i>	(1,382,171)	(78,312)	(1,460,483)
<i>Fund Balances Beginning of Year</i>	<u>3,980,898</u>	<u>264,391</u>	<u>4,245,289</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,598,727</u>	<u>\$ 186,079</u>	<u>\$ 2,784,806</u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020*

Net Change in Fund Balances - Total Governmental Funds	\$	(1,460,483)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 1,405,918	
Current Year Depreciation	(595,783)	810,135
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	16,176	
Intergovernmental	344,175	360,351
Repayment of principal and accreted interest on capital appreciation bonds is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.		
General Obligation Bonds	430,000	
Lease-Purchase Agreements	432,400	
Certificates of Participation	90,000	952,400
In the statement of activities, bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Amortization of Premium on Bonds	24,585	
Amortization of Refunding Loss	(16,848)	7,737
Contractually required contributions are reported as expenditures in governmental funds; however, the net position reports these amounts as deferred outflows.		
Pension	897,270	
OPEB	22,541	919,811
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB assets/liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,622,910)	
OPEB	154,386	(1,468,524)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(26,433)
<i>Change in Net Position of Governmental Activities</i>	\$	94,994

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 3,849,037	\$ 3,842,735	\$ 3,823,079	\$ (19,656)
Intergovernmental	5,187,738	5,179,359	5,081,884	(97,475)
Investment Income	35,721	35,658	38,194	2,536
Tuition and Fees	1,801,780	1,799,070	1,643,420	(155,650)
Miscellaneous	79,217	79,041	106,993	27,952
<i>Total Revenues</i>	<u>10,953,493</u>	<u>10,935,863</u>	<u>10,693,570</u>	<u>(242,293)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,096,426	5,056,426	5,029,949	26,477
Special	1,047,579	957,579	1,009,242	(51,663)
Vocational	158,528	158,528	154,649	3,879
Student Intervention Services	535,014	435,014	482,034	(47,020)
Other	236,121	236,121	191,350	44,771
Support Services:				
Pupils	719,072	649,072	547,978	101,094
Instructional Staff	397,074	397,074	383,660	13,414
Board of Education	127,803	127,803	91,138	36,665
Administration	830,950	830,950	884,380	(53,430)
Fiscal	342,527	342,527	349,770	(7,243)
Operation and Maintenance of Plant	1,086,028	1,086,032	1,015,594	70,438
Pupil Transportation	474,767	474,767	411,487	63,280
Central	78,166	78,166	62,382	15,784
Extracurricular Activities	285,239	285,239	235,420	49,819
Debt Service:				
Principal Retirement	72,400	72,400	72,400	0
Interest and Fiscal Charges	5,361	5,361	5,361	0
<i>Total Expenditures</i>	<u>11,493,055</u>	<u>11,193,059</u>	<u>10,926,794</u>	<u>266,265</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(539,562)</u>	<u>(257,196)</u>	<u>(233,224)</u>	<u>23,972</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	2,910	2,910	2,910	0
Transfers Out	(900,000)	(1,250,000)	(1,262,053)	(12,053)
<i>Total Other Financing Sources (Uses)</i>	<u>(897,090)</u>	<u>(1,247,090)</u>	<u>(1,259,143)</u>	<u>(12,053)</u>
<i>Net Change in Fund Balance</i>	<u>(1,436,652)</u>	<u>(1,504,286)</u>	<u>(1,492,367)</u>	<u>11,919</u>
<i>Fund Balance Beginning of Year</i>	4,118,107	4,118,107	4,118,107	0
Prior Year Encumbrances Appropriated	158,474	158,474	158,474	0
<i>Fund Balance End of Year</i>	<u>\$ 2,839,929</u>	<u>\$ 2,772,295</u>	<u>\$ 2,784,214</u>	<u>\$ 11,919</u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 11,560	\$ 74,234
Liabilities		
Accounts Payable	0	1,118
Due to Students	0	73,116
		\$ 74,234
Net Position		
Held in Trust for Scholarships	\$ 11,560	

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 4,535
Deductions	
Payments in Accordance with Trust Agreements	4,020
<i>Change in Net Position</i>	515
<i>Net Position Beginning of Year</i>	11,045
<i>Net Position End of Year</i>	\$ 11,560

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Description of the School District and Reporting Entity

Mogadore Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or Federal guidelines.

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately four square miles. It is located in Summit and Portage Counties, and includes the entire Village of Mogadore and portions of Suffield Township. The School District operates three instructional buildings and one bus garage.

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 Mogadore Local School District, this includes general operations, food service, and student related activities of the School District.

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. There are no component units of the School District.

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Northeast Ohio Network for Educational Technology, the Maplewood Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Stark County Schools Council of Governments. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Mogadore Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the more significant of the School District's accounting policies.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. 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 fiscal 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 statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

General Fund The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The other governmental funds of the School District account for grants and other resources of the School District to which the School District is bound to observe constraints imposed upon the use of the sources.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds include agency funds, which reflect resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities; and a private purpose trust fund that disburses scholarships to students.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

Private purpose trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements. Agency funds do not report a measurement focus as they do not report operations.

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 and the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or 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 fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, grants, investment earnings, tuition, rentals and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

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Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as intergovernmental revenue.

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.

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. During fiscal year 2018, a fire damaged the School District's fieldhouse beyond repair. The net book value of the building and contents was \$80,638. The School District's insurance loss claim amounted to \$1,349,410. The School District received \$75,000, \$458,319 and \$816,091 of insurance recoveries in fiscal years 2018, 2019 and 2020 respectively.

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. All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the Certificate of Estimated Resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Revenues establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control set by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the 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 Certificate of Estimated Resources issued during fiscal year 2020.

The appropriation resolution is subject to amendment by the Board of Education throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2020.

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Cash and Investments

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

The School District has segregated bank accounts for monies held separately from the School District's central bank account for athletics. These depository accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District's treasury.

During fiscal year 2020, investments were limited to money markets and US treasury notes.

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$75,690, which includes \$25,321 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

Premiums

In governmental fund types, note and bond premiums are recognized in the period in which debt is issued. On the Statement of Net Position, note and bond premiums are amortized over the term of the notes and bonds using the straight-line method, which is not significantly different than the bonds outstanding method, which approximates the effective interest method. Note and bond premiums are presented as an addition to the face amount of notes and bonds payable.

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 government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside as a reserve for budget stabilization and for capital improvements. See Note 17 for additional information regarding set-asides.

Capital Assets

The School District's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported on the fund financial statements.

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District capitalization threshold is \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, 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	5 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	10 Years

Interfund Balances

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

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 School District 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 is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employee will be paid.

Pensions and Other Postemployment Benefits (OPEB)

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

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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 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2020, there was no net position restricted by enabling legislation.

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources.

The classifications are as follows:

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

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

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

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

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

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

Interfund Activity

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

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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Implementation of New Accounting Principles

For the fiscal year ended June 30, 2020, the School District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95

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postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the School District also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the School District.

For the fiscal year ended June 30, 2020, the School District has early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 92 *Omnibus 2020*, and certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

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Note 3 – Fund Balance

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

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

	General	Other Governmental Funds	Total
Nonspendable:			
Unclaimed Monies	\$ 378	\$ 0	\$ 378
Restricted for:			
Budget Stabilization - BWC Refund	31,768	0	31,768
Capital Outlay	0	113,602	113,602
Federal Grant Programs	0	2,327	2,327
Debt Service	0	308,317	308,317
Athletics	0	28,834	28,834
Other Grants	0	167,774	167,774
Total Restricted	31,768	620,854	652,622
Assigned for:			
Encumbrances:			
Instruction	12,635	0	12,635
Support Services	110,107	0	110,107
Extracurricular	271	0	271
Assigned for Subsequent Year Appropriations	217,549	0	217,549
Other Purposes	166,950	0	166,950
Total Assigned	507,512	0	507,512
Unassigned	2,059,069	(434,775) *	1,624,294
Total Fund Balance	\$ 2,598,727	\$ 186,079	\$ 2,784,806

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* Unassigned fund balance included the following individual fund deficits:

	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
Building	\$ 67,821
Food Service	15,658
Title VI-B	157,624
Title I	185,996
Title VI-R	5,743
Miscellaneous Federal Grants	1,933
	\$ 434,775

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as assigned, committed or restricted fund balance (GAAP basis).
4. Some funds are included in the General Fund (GAAP Basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

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GAAP Basis	\$	(1,382,171)
Net Adjustment for Revenue Accruals		24,541
Net Adjustment for Expenditure Accruals		30,154
Funds Budgeted Elsewhere**		(29,406)
Adjustment for Encumbrances		(135,485)
		(135,485)
Budget Basis	\$	(1,492,367)

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

Note 5 - Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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

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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 must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, from the purchase date in the amount not to exceed forty percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate notes 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At year-end, \$1,446,126 of the School District's bank balance of \$1,696,126 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Segregated Cash The athletic checking account is maintained separately from the School District’s deposits. The carrying amount of the deposits is reported as “Cash and Cash Equivalents in Segregated Accounts.”

Restricted Cash and Investments As of June 30, 2020, the School District had pooled cash that was a State restricted set-aside. These funds consist of workers’ compensation refunds that were received prior to April 20, 2001. The carrying amount of the deposits is reported as “Restricted Cash and Cash Equivalents”.

Investments As of June 30, 2020, the School District had the following investments and maturities:

Ratings	Investment	Measurement Amount	Investment Maturities (in months)			% Total Investments
			0 - 12	13-36	Over 36	
	Net Asset Value (NAV):					
A-	Fifth Third Banksafe Trust Money Market	\$ 17,064	\$ 17,064	\$ 0	\$ 0	0.93%
	Fair Value:					
AA+	US Treasury Notes	1,257,107	478,878	778,229	0	68.87%
AA+	Fannie Mae	291,181	0	0	291,181	15.95%
AA+	Federal Home Loan Bank	260,047	0	152,721	107,326	14.25%
	Totals	<u>\$ 1,825,399</u>	<u>\$ 495,942</u>	<u>\$ 930,950</u>	<u>\$ 398,507</u>	<u>100.00%</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District’s recurring fair value measurements as of June 30, 2020. The School District’s investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

Credit Risk The School District’s investments at June 30, 2020 are rated as shown above by S&P Global Ratings. The School District’s policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

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Concentration of Credit Risk. The School District places no limit on the amount that may be invested to any one issuer. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officer and County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2020 taxes were collected are:

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	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$86,540,640	92.08%	\$ 85,909,860	91.89%
Public Utility Personal Property	7,438,560	7.92%	7,581,090	8.11%
Total	\$ 93,979,200	100.00%	\$ 93,490,950	100.00%
Tax rate per \$1,000 of assessed valuation	\$86.30		\$85.95	

Note 7 - Receivables

Receivables at June 30, 2020 consisted of property taxes, interfund and intergovernmental. 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 guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 183,353	\$ -	\$ -	\$ 183,353
Construction in Progress	5,256,977	1,062,569	-	6,319,546
Total Capital Assets, not being depreciated:	5,440,330	1,062,569	-	6,502,899
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,209,355	22,357	-	1,231,712
Building and Improvements	15,642,736	269,968	-	15,912,704
Furniture and Equipment	1,736,393	41,323	-	1,777,716
Vehicles	903,616	9,701	-	913,317
Total Capital Assets, being depreciated	19,492,100	343,349	-	19,835,449
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,167,317)	(22,807)	-	(1,190,124)
Building and Improvements	(4,704,888)	(469,175)	-	(5,174,063)
Furniture and Equipment	(1,379,250)	(46,873)	-	(1,426,123)
Vehicles	(565,628)	(56,928)	-	(622,556)
Total Accumulated Depreciation	(7,817,083)	(595,783)	-	(8,412,866)
Total Capital Assets being depreciated, Net	11,675,017	(252,434)	-	11,422,583
Governmental Activities Capital Assets, Net	\$ 17,115,347	\$ 810,135	\$ -	\$ 17,925,482

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 165,586
Special	17,981
Support Services:	
Pupils	251
Instructional Staff	4,221
Administration	17,375
Operation and Maintenance of Plant	212,484
Pupil Transportation	64,857
Food Service Operations	1,282
Extracurricular Activities	111,746
Total Depreciation	\$ 595,783

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2020, the School District contracted with the Bowers Insurance and Financial Services, Inc. for fleet, property and inland marine insurance coverage and liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

The School District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an existing school district subsequent to the settlements of all expenses and claims.

Note 10 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified, full-time administrators and non-bargaining unit employees earn 10 to 25 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and elementary principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the amount of sick leave that may be accumulated. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

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Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program.

Note 11 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The School District’s contractually required contribution to SERS was \$166,192 for fiscal year 2020. Of this amount, \$11,167 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service

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retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$731,078 for fiscal year 2020. Of this amount, \$121,196 is reported as an intergovernmental payable.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.03473380%	0.04367333%	
Prior Measurement Date	<u>0.03378160%</u>	<u>0.04375641%</u>	
Change in Proportionate Share	<u>0.00095220%</u>	<u>-0.00008308%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 2,078,184	\$ 9,658,094	\$ 11,736,278
Pension Expense	\$ 314,119	\$ 1,308,791	\$ 1,622,910

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 52,696	\$ 78,632	\$ 131,328
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	0	0
Changes of Assumptions	0	1,134,529	1,134,529
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	31,266	164,900	196,166
School District Contributions Subsequent to the Measurement Date	166,192	731,078	897,270
Total Deferred Outflows of Resources	<u>\$ 250,154</u>	<u>\$ 2,109,139</u>	<u>\$ 2,359,293</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 41,808	\$ 41,808
Net Difference between Projected and Actual Earnings on Pension Plan Investments	26,673	472,033	498,706
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	11,698	80,447	92,145
Total Deferred Inflows of Resources	<u>\$ 38,371</u>	<u>\$ 594,288</u>	<u>\$ 632,659</u>

\$897,270 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 68,256	\$ 617,332	\$ 685,588
2022	(36,019)	189,501	153,482
2023	(1,773)	(74,188)	(75,961)
2024	15,127	51,128	66,255
	<u>\$ 45,591</u>	<u>\$ 783,773</u>	<u>\$ 829,364</u>

Actuarial Assumptions - SERS

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

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 2,912,279	\$ 2,078,184	\$ 1,378,691

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long Term Expected Real Rate of Return**
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 14,114,228	\$ 9,658,094	\$ 5,885,748

Note 12 – Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$22,541, which is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.03551800%	0.04367300%	
Prior Measurement Date	0.03433500%	0.04375600%	
Change in Proportionate Share	<u>0.00118300%</u>	<u>-0.0008300%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 893,213	\$ (723,330)	
OPEB Expense	\$ 26,023	\$ (180,409)	\$ (154,386)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 13,112	\$ 65,575	\$ 78,687
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	2,144	0	2,144
Changes of Assumptions	65,238	15,204	80,442
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	30,518	43,963	74,481
School District Contributions Subsequent to the Measurement Date	22,541	0	22,541
Total Deferred Outflows of Resources	<u>\$ 133,553</u>	<u>\$ 124,742</u>	<u>\$ 258,295</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 196,231	\$ 36,800	\$ 233,031
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	45,430	45,430
Changes of Assumptions	50,053	793,046	843,099
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	6,434	35,630	42,064
Total Deferred Inflows of Resources	<u>\$ 252,718</u>	<u>\$ 910,906</u>	<u>\$ 1,163,624</u>

\$22,541 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (52,059)	\$ (168,647)	\$ (220,706)
2022	(20,717)	(168,646)	(189,363)
2023	(20,085)	(150,440)	(170,525)
2024	(20,190)	(144,048)	(164,238)
2025	(19,652)	(151,096)	(170,748)
Thereafter	(9,003)	(3,287)	(12,290)
	<u>\$ (141,706)</u>	<u>\$ (786,164)</u>	<u>\$ (927,870)</u>

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Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return

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assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,084,179	\$ 893,213	\$ 741,355

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 715,637	\$ 893,213	\$ 1,128,791

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

Since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.944 percent to 1.984 percent per year of service effective January 1, 2020. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (617,218)	\$ (723,330)	\$ (812,545)
		<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (820,223)	\$ (723,330)	\$ (604,659)

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Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2020 were as follows:

	Balance 6/30/2019	Additions	Deductions	Balance 6/30/2020	Amounts Due In One Year
<i>2012 Refunding Bonds</i>					
<i>Maturing December 1, 2031:</i>					
<i>Serial and Term Bonds</i>	\$ 6,415,000	\$ 0	\$ 430,000	\$ 5,985,000	\$ 435,000
<i>Premium</i>	319,605	0	24,585	295,020	0
<i>Total 2012 Refunding Bonds</i>	<u>6,734,605</u>	<u>0</u>	<u>454,585</u>	<u>6,280,020</u>	<u>435,000</u>
<i>Direct Borrowings:</i>					
<i>Refunding Certificates of Participation</i>					
<i>Series 2016</i>					
<i>Maturing December 1, 2031:</i>	1,365,000	0	90,000	1,275,000	90,000
<i>2019 Lease-Purchase Agreement</i>	4,675,000	0	360,000	4,315,000	290,000
<i>Bus Lease-Purchase Agreement</i>	190,797	0	61,845	128,952	63,583
<i>Bus Lease-Purchase Agreement</i>	21,467	0	10,555	10,912	10,912
<i>Total Direct Borrowings</i>	<u>6,252,264</u>	<u>0</u>	<u>522,400</u>	<u>5,729,864</u>	<u>454,495</u>
<i>Net Pension/OPEB Liability</i>					
<i>Pension</i>	11,555,787	180,491	0	11,736,278	0
<i>OPEB</i>	952,548	0	59,335	893,213	0
<i>Total Net Pension/OPEB Liability</i>	<u>12,508,335</u>	<u>180,491</u>	<u>59,335</u>	<u>12,629,491</u>	<u>0</u>
<i>Other Long Term Liabilities</i>					
<i>Compensated Absences</i>	744,613	108,620	82,187	771,046	127,438
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 26,239,817</u>	<u>\$ 289,111</u>	<u>\$ 1,118,507</u>	<u>\$ 25,410,421</u>	<u>\$ 1,016,933</u>

Compensated absences will be paid from the fund from which employees are paid, which is typically the general and food service funds. The refunding bonds and refunding certificates of participation will be repaid from the debt service fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

Refunding Certificates of Participation

On December 6, 2016, the School District issued \$1,535,000 in refunding certificates of participation bonds. The proceeds of the bonds were used to refund \$1,455,000 of the School District's outstanding capital improvement bonds. The bonds were issued for a 14 year period with final maturity at December 1, 2031. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$198,529. The issuance resulted in an economic gain of \$240,999.

In the event of default, as defined by the lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the secured asset, including but not limited to leased property and personal property. Additionally, the lessor has the option to sublease the project facilities, holding the School District liable for all lease payments and other payments

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due prior to the effective date of the sublease and for the difference between the rental and other amounts paid by the subleases pursuant to such sublease and the amounts payable by the District pursuant to the lease during the then current lease term.

2012 Refunding Bonds

On December 20, 2012, the School District issued \$8,239,997 in refunding general obligation bonds. The proceeds of the bonds were used to refund \$8,240,000 of the School District's outstanding capital improvement bonds. The bonds were issued for a 19 year period with final maturity at December 1, 2031. At the date of the refunding, \$8,576,950 was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. Defeased bonds were called on December 1, 2013.

These refunding bonds were issued with a premium of \$491,699, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight line method. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,458,080. The issuance resulted in an economic gain of \$1,162,462.

The current interest bonds maturing on December 1, 2030 (the term bonds) are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, on December 1, 2029 and 2030.

The current interest bonds maturing on or after December 1, 2018 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000), on any date on or after December 1, 2027, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

The capital appreciation bonds matured on December 1, 2016 and December 1, 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds was \$845,000.

Lease-Purchase Agreements

On February 14, 2019, the School District entered into a lease-purchase agreement with Capital One Public Funding, LLC in the amount of \$4,675,000 at a 3.29 percent interest rate for the construction of a new athletic fieldhouse. In the event of default, as defined by the lease agreement, the Lessor has the right to exercise all rights and remedies, including the rights to demand an accounting of the project fund and the return of all sums remaining in the project fund and/or take possession of the project site and project facilities that make up the new athletic fieldhouse. Payments for the lease-purchase will be made from the bond retirement fund.

During fiscal year 2018, the School District entered into two lease-purchase agreements for five school buses in the amount of \$361,107. In the event of default, as defined by each lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the buses (secured assets) and hold the School District liable for amounts payable. Payments for the lease-purchase will be made from the general fund.

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The following is a summary of the School District's future annual principal and interest requirements to retire the long-term debt:

Fiscal Year Ending June 30,	Certificates of Participation		Capital Improvement/ Refunding Bonds		Lease Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 90,000	\$ 32,595	\$ 435,000	\$ 146,419	\$ 364,495	\$ 143,272	\$ 889,495	\$ 322,286
2022	95,000	30,144	450,000	137,569	375,369	131,299	920,369	299,012
2023	95,000	27,626	455,000	128,234	330,000	118,934	880,000	274,794
2024	100,000	25,042	465,000	118,169	355,000	107,666	920,000	250,877
2025	100,000	22,393	480,000	107,238	370,000	95,739	950,000	225,370
2026 - 2030	555,000	69,231	2,565,000	349,076	2,210,000	274,224	5,330,000	692,531
2031 - 2032	240,000	6,360	1,135,000	34,276	450,000	8,472	1,825,000	49,108
Total	\$ 1,275,000	\$ 213,391	\$ 5,985,000	\$ 1,020,981	\$ 4,454,864	\$ 879,606	\$ 11,714,864	\$ 2,113,978

Note 14 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEOnet) which is a computer consortium. NEOnet is a jointly governed organization among School Districts located within the boundaries of Cuyahoga, Lake, Medina, Portage and Summit Counties. 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 among member districts. NEOnet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All the NEOnet revenues are generated from charges for services and state funding. To obtain financial information write NEOnet, 700 Graham Road, Cuyahoga Falls, Ohio 44221. The Summit County Educational Service Center serves as the fiscal agent. NEOnet is not dependent on the School District's participation, and no equity interest exists. The School District paid \$201,619 to NEOnet during fiscal year 2020.

Maplewood Career Center

The Maplewood Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the ten participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to Maplewood Career Center, 7075 State Route 88, Ravenna, Ohio 44266.

Note 15 - Public Entity Risk Pools

Stark County Schools Council of Governments

The Stark County Schools Council of Governments (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of various school districts and a Workers Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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Ohio School Boards Association Workers' Compensation Group Rating Program

The School District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business affairs are conducted by a three member Board of Directors consisting of the president, the president-elect and the immediate past president of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year the participating school districts pay enrollment fees to the Program to cover the costs of administering the program.

Note 16 - Contingencies

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. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

Litigation

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

School Foundation

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are finalized, and did not have an effect on the financial statements.

Note 17 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year 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. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2020, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	<u>Capital Improvements</u>	<u>Budget Stabilization BWC Refund</u>
Set-Aside Restricted Balance as of June 30, 2019	\$ 0	\$ 31,768
Current Year Set-Aside Requirement	158,993	0
Current Year Offsets	(214,632)	0
Qualifying Disbursements	(1,280,077)	0
Total	<u>\$ (1,335,716)</u>	<u>\$ 31,768</u>
Set-Aside Balance Carried Forward to FY 2021	<u>\$ 0</u>	<u>\$ 0</u>
Set-Aside Restricted Balance as of June 30, 2020	<u>\$ 0</u>	<u>\$ 31,768</u>

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$31,768. This represents workers' compensation refunds that were received prior to April 20, 2001.

Note 18 – Interfund Activity

Interfund Receivable/Payable

Interfund balances at June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Major Governmental Funds:</i>		
General	\$ 307,839	\$ 0
<i>Non-major Governmental Funds</i>		
Other Grants	0	3,202
Title VI-B	0	137,917
Title I	0	160,978
Title VI-R	0	5,742
<i>Total Non-Major Governmental Funds</i>	<u>0</u>	<u>307,839</u>
<i>Total All Funds</i>	<u>\$ 307,839</u>	<u>\$ 307,839</u>

The general fund advanced monies to nonmajor governmental funds to cover expenditures until expected revenues were received. All interfund loans will be repaid in fiscal year 2021 with monies to be received from reimbursable expenditures incurred during fiscal year 2020.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Interfund Transfers

Transfers during June 30, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
<i>Major Governmental Funds:</i>		
General	\$ 0	\$ 1,251,353
<i>Non-major Governmental Funds</i>		
Debt Service	695,008	0
Permanent Improvement	125,000	124,980
Building Fund	488,447	0
Food Service	40,000	0
Athletics	27,878	0
<i>Total Non-Major Governmental Funds</i>	<u>1,376,333</u>	<u>124,980</u>
<i>Total All Funds</i>	<u>\$ 1,376,333</u>	<u>\$ 1,376,333</u>

During the fiscal year, the general fund made transfers to the athletics and food service funds to fund operations. The general fund also made a transfer to the building fund as part of the fieldhouse construction project. The transfer from the general fund and permanent improvement fund to the debt service fund was made to make principal and interest payments. Transfers between governmental funds are eliminated on the governmental-wide financials.

Note 19 – Significant Encumbrances

Encumbrance Commitments

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

Fund	Amount
General	\$ 131,147
Nonmajor Governmental	27,430
	<u>\$ 158,577</u>

Contractual Commitments

	Amount of Contract	Expenditures as of 6/30/2020	Amount Remaining
New Fieldhouse	\$ 6,251,724	\$ 6,251,720	\$ 4
	<u>\$ 6,251,724</u>	<u>\$ 6,251,720</u>	<u>\$ 4</u>

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant fluctuation in fair value, consistent with the general fluctuation in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, due to the dynamic environment and changes in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.03473380%	0.03378160%	0.03381740%	0.03499180%
School District's Proportionate Share of the Net Pension Liability	\$ 2,078,184	\$ 1,934,735	\$ 2,020,515	\$ 2,561,077
School District's Covered Payroll	\$ 1,189,207	\$ 1,133,926	\$ 1,231,550	\$ 1,363,350
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.75%	170.62%	164.06%	187.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.04367333%	0.04375641%	0.04387125%	0.04243273%
School District's Proportionate Share of the Net Pension Liability	\$ 9,658,094	\$ 9,621,052	\$ 10,421,709	\$ 14,203,514
School District's Covered Payroll	\$ 5,060,921	\$ 5,142,107	\$ 4,790,907	\$ 4,434,343
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.84%	187.10%	217.53%	320.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03640660%	0.04044500%	0.04044500%
\$ 2,077,396	\$ 2,046,898	\$ 2,405,134
\$ 1,820,379	\$ 1,512,388	\$ 1,512,551
114.12%	135.34%	159.01%
69.16%	71.70%	65.52%
0.04336540%	0.04460305%	0.04460305%
\$ 11,984,928	\$ 10,849,005	\$ 12,923,264
\$ 4,303,086	\$ 5,044,515	\$ 4,308,723
278.52%	215.07%	299.93%
72.10%	74.70%	69.30%

See accompanying notes to the required supplementary information.

Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 166,192	\$ 160,543	\$ 153,080	\$ 172,417
Contributions in Relation to the Contractually Required Contribution	<u>(166,192)</u>	<u>(160,543)</u>	<u>(153,080)</u>	<u>(172,417)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 1,187,086	\$ 1,189,207	\$ 1,133,926	\$ 1,231,550
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 731,078	\$ 708,529	\$ 719,895	\$ 670,727
Contributions in Relation to the Contractually Required Contribution	<u>(731,078)</u>	<u>(708,529)</u>	<u>(719,895)</u>	<u>(670,727)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,221,986	\$ 5,060,921	\$ 5,142,107	\$ 4,790,907
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 190,869	\$ 239,926	\$ 209,617	\$ 209,337	\$ 220,350	\$ 181,390
<u>(190,869)</u>	<u>(239,926)</u>	<u>(209,617)</u>	<u>(209,337)</u>	<u>(220,350)</u>	<u>(181,390)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,363,350	\$ 1,820,379	\$ 1,512,388	\$ 1,512,551	\$ 1,638,290	\$ 1,443,039
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$ 620,808	\$ 602,432	\$ 655,787	\$ 560,134	\$ 612,761	\$ 643,290
<u>(620,808)</u>	<u>(602,432)</u>	<u>(655,787)</u>	<u>(560,134)</u>	<u>(612,761)</u>	<u>(643,290)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,434,343	\$ 4,303,086	\$ 5,044,515	\$ 4,308,723	\$ 4,713,546	\$ 4,948,385
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Four Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net OPEB Liability	0.03551800%	0.03433510%	0.03431580%	0.03551451%
School District's Proportionate Share of the Net OPEB Liability	\$ 893,213	\$ 952,548	\$ 920,946	\$ 1,012,295
School District's Covered Payroll	\$ 1,189,207	\$ 1,133,926	\$ 1,231,550	\$ 1,363,350
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	75.11%	84.00%	74.78%	74.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net OPEB Liability (Asset)	0.04367300%	0.04375641%	0.04387125%	0.04243273%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (723,330)	\$ (703,121)	\$ 1,711,694	\$ 2,269,313
School District's Covered Payroll	\$ 5,060,921	\$ 5,142,107	\$ 4,790,907	\$ 4,434,343
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.29%	-13.67%	35.73%	51.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution (1)	\$ 22,541	\$ 27,265	\$ 24,502	\$ 18,698
Contributions in Relation to the Contractually Required Contribution	<u>(22,541)</u>	<u>(27,265)</u>	<u>(24,502)</u>	<u>(18,698)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 1,187,086	\$ 1,189,207	\$ 1,133,926	\$ 1,231,550
OPEB Contributions as a Percentage of Covered Payroll (1)	1.90%	2.29%	2.16%	1.52%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,221,986	\$ 5,060,921	\$ 5,142,107	\$ 4,790,907
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 18,203	\$ 34,847	\$ 26,132	\$ 25,291	\$ 27,637	\$ 20,636
<u>(18,203)</u>	<u>(34,847)</u>	<u>(26,132)</u>	<u>(25,291)</u>	<u>(27,637)</u>	<u>(20,636)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,363,350	\$ 1,820,379	\$ 1,512,388	\$ 1,512,551	\$ 1,638,290	\$ 1,443,039
1.34%	1.91%	1.73%	1.67%	1.69%	1.43%
\$ 0	\$ 0	\$ 50,445	\$ 43,087	\$ 47,135	\$ 49,484
<u>0</u>	<u>0</u>	<u>(50,445)</u>	<u>(43,087)</u>	<u>(47,135)</u>	<u>(49,484)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,434,343	\$ 4,303,086	\$ 5,044,515	\$ 4,308,723	\$ 4,713,546	\$ 4,948,385
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Mogadore Local School District
Summit County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

Mogadore Local School District
Summit County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Note 2 - Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Mogadore Local School District
Summit County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms – STRS

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

The discussion and analysis of the Mogadore Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- Net position increased \$2,270,614 from fiscal year 2018.
- Capital assets increased \$3,586,816 from fiscal year 2018.
- During the fiscal year, outstanding debt increased from \$8,911,889 to \$12,986,869.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, pupil transportation, extracurricular activities, and non-instructional services, i.e., food service operations.

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 a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the building fund.

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

Reporting the School District's Fiduciary Responsibilities

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

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities		
	2019	2018	Change
Assets			
Current and Other Assets	\$ 11,554,606	\$ 9,174,171	\$ 2,380,435
Net OPEB Asset	703,121	0	703,121
Capital Assets	15,617,932	12,031,116	3,586,816
<i>Total Assets</i>	<u>27,875,659</u>	<u>21,205,287</u>	<u>6,670,372</u>
Deferred Outflows of Resources			
Deferred Charges on Refunding	219,024	235,872	(16,848)
Pension/OPEB	3,378,408	4,265,254	(886,846)
<i>Total Deferred Outflows of Resources</i>	<u>3,597,432</u>	<u>4,501,126</u>	<u>(903,694)</u>
Liabilities			
Other Liabilities	1,773,060	996,712	776,348
Long-Term Liabilities:			
Due Within One Year	1,005,304	679,592	325,712
Due in More Than One Year:			
Net Pension Liability	11,555,787	12,442,224	(886,437)
Net OPEB Liability	952,548	2,632,640	(1,680,092)
Other Amounts	12,726,178	8,893,079	3,833,099
<i>Total Liabilities</i>	<u>28,012,877</u>	<u>25,644,247</u>	<u>2,368,630</u>
Deferred Inflows of Resources			
Property Taxes	3,947,624	3,737,902	209,722
Pension/OPEB	2,109,337	1,191,625	917,712
<i>Total Deferred Inflows of Resources</i>	<u>6,056,961</u>	<u>4,929,527</u>	<u>1,127,434</u>
Net Position			
Net Investment in Capital Assets	3,765,525	3,355,099	410,426
Restricted	1,069,431	1,144,883	(75,452)
Unrestricted	(7,431,703)	(9,367,343)	1,935,640
<i>Total Net Position</i>	<u>\$ (2,596,747)</u>	<u>\$ (4,867,361)</u>	<u>\$ 2,270,614</u>

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the School District's proportionate share of each plan's collective:

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2019 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

At year end, capital assets represented 58 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The net investment in capital assets was \$3,765,525 at June 30, 2019. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1,069,431 or 41 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$7,431,703 which is primarily the result of GASB 68 and 75.

In fiscal year 2018, the School District fieldhouse caught fire and was a complete loss. To rebuild this facility, the School District entered into a new lease-purchase agreement in fiscal year 2019, as discussed in Table 5. Construction on this project began in the spring of 2019, resulting in an increase in construction in progress and contracts payable. Unspent proceeds as of June 30, 2019 are held as equity in pooled cash and investments, which the primary cause of the increase. The project is expected to be completed in fiscal year 2020.

There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

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Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities		
	2019	2018	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 2,074,874	\$ 1,997,170	\$ 77,704
Operating Grants	785,004	774,448	10,556
<i>Total Program Revenues</i>	<u>2,859,878</u>	<u>2,771,618</u>	<u>88,260</u>
<i>General Revenues:</i>			
Property Taxes	4,723,418	3,924,745	798,673
Grants and Entitlements Not Restricted	5,151,358	5,065,588	85,770
Other	230,447	80,153	150,294
<i>Total General Revenues</i>	<u>10,105,223</u>	<u>9,070,486</u>	<u>1,034,737</u>
Extraordinary Item	0	596,272	(596,272)
<i>Total Revenues and Extraordinary Item</i>	<u>12,965,101</u>	<u>12,438,376</u>	<u>526,725</u>
Program Expenses			
<i>Instruction:</i>			
Regular	4,132,290	1,423,695	2,708,595
Special	1,170,507	445,492	725,015
Vocational	124,286	32,015	92,271
Student Intervention Services	396,187	382,053	14,134
Other	213,339	216,802	(3,463)
<i>Support Services:</i>			
Pupils	658,974	403,745	255,229
Instructional Staff	341,108	380,340	(39,232)
Board of Education	92,795	72,324	20,471
Administration	693,993	466,327	227,666
Fiscal	341,161	309,775	31,386
Operation and Maintenance of Plant	1,031,516	982,702	48,814
Pupil Transportation	450,048	365,609	84,439
Central	73,237	62,061	11,176
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	273,011	252,303	20,708
Community Services	1,740	0	1,740
Extracurricular Activities	438,516	290,283	148,233
<i>Debt Service:</i>			
Interest and Fiscal Charges	261,779	208,188	53,591
<i>Total Expenses</i>	<u>10,694,487</u>	<u>6,293,714</u>	<u>4,400,773</u>
<i>Increase (Decrease) in Net Position</i>	2,270,614	6,144,662	(3,874,048)
<i>Net Position at Beginning of Year</i>	<u>(4,867,361)</u>	<u>(11,012,023)</u>	<u>6,144,662</u>
<i>Net Position at End of Year</i>	<u>\$ (2,596,747)</u>	<u>\$ (4,867,361)</u>	<u>2,270,614</u>

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
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(Unaudited)

During fiscal year 2019, property tax revenues increased primarily due to an increase in the property valuation for the School District.

As previously discussed, the School District lost the fieldhouse in a fire in fiscal year 2018. The activity was determined to be extraordinary and the insurance claim was recognized accordingly on the statement of activities in fiscal year 2018.

Overall, program expenses increased significantly. The changes in program expenses are primarily associated to changes in the School District's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

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.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2019	2018	2019	2018
Instruction:				
Regular	\$ 4,132,290	\$ 1,423,695	\$ 2,295,905	\$ (367,895)
Special	1,170,507	445,492	564,840	(153,354)
Vocational	124,286	32,015	104,380	12,109
Student Intervention Services	396,187	382,053	396,187	382,053
Other	213,339	216,802	213,339	216,802
Support Services:				
Pupils	658,974	403,745	658,342	403,745
Instructional Staff	341,108	380,340	334,458	380,340
Board of Education	92,795	72,324	92,795	72,324
Administration	693,993	466,327	693,993	466,327
Fiscal	341,161	309,775	341,161	309,775
Operation and Maintenance of Plant	1,031,516	982,702	1,031,516	982,702
Pupil Transportation	450,048	365,609	450,048	365,609
Central	73,237	62,061	67,837	56,661
Operation of Non-Instructional Services:				
Food Service Operations	273,011	252,303	8,174	(5,141)
Community Services	1,740	0	208	0
Extracurricular Activities	438,516	290,283	319,647	191,851
Debt Service:				
Interest and Fiscal Charges	261,779	208,188	261,779	208,188
Total Expenses	\$ 10,694,487	\$ 6,293,714	\$ 7,834,609	\$ 3,522,096

The dependence upon general revenues for governmental activities is apparent. Over 73 percent of governmental activities are supported through taxes and other general revenues; such revenues are 78 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Governmental Funds

The School District's major funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2019 was an increase of \$776,653 due to increases in property and other local taxes and intergovernmental revenues while expenditures remained consistent with fiscal year 2018.

The fund balance of the building fund increased by \$1,350,742 due to the timing of project expenditures.

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 2019, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

There were no significant variances between the original and final budgeted revenues or expenditures.

For the general fund, actual budget basis revenue was higher than the final budget basis revenue. Most of this difference is primarily due to an underestimation of property and other local taxes and intergovernmental revenue.

Final appropriations were higher than the actual expenditures, as cost savings were recognized for instruction and student support services throughout the year.

There were no significant variances to discuss within other financing sources and uses.

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Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2019 balances compared with 2018.

Table 4
Capital Assets at June 30

	Governmental Activities	
	2019	2018
Land	\$ 183,353	\$ 183,353
Construction in Progress	3,759,562	0
Land Improvements	1,209,355	1,209,355
Buildings and Improvements	15,642,736	15,555,736
Furniture and Equipment	1,736,393	1,641,782
Vehicles	903,616	921,490
Accumulated Depreciation	(7,817,083)	(7,480,600)
<i>Totals</i>	<u>\$ 15,617,932</u>	<u>\$ 12,031,116</u>

The increase in capital assets was attributable to additions to construction in progress for the construction of a new fieldhouse, as previously discussed. See Note 8 for more information about the capital assets of the School District.

Debt

Table 5 summarizes debt outstanding. See Note 13 for additional details.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2019	2018
2016 Refunding Certificates of Participation	\$ 1,365,000	\$ 1,450,000
2012 Refunding Bonds	6,415,000	6,835,000
Lease-Purchase Agreements	4,887,264	282,699
Refunding Bonds Premium	319,605	344,190
<i>Totals</i>	<u>\$ 12,986,869</u>	<u>\$ 8,911,889</u>

Debt increased primarily due the School District entering into a lease-purchase agreement for the previously discussed construction of a new field house.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Current Issues

The School District placed an operating levy on the May 2015 special election, which passed. This levy raises approximately \$496,000 per year. The School District has managed the expenditures very well. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District's continuous improvement plan.

The financial future of the School District, due to the passage of the levy and additional State funds, looks much better. The School District expects to be solvent for the next 2 to 3 years.

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 Mr. Chris Adams, Treasurer of Mogadore Local School District, 1 S Cleveland Ave., Mogadore, Ohio 44260, or call 330-628-9946.

Mogadore Local School District
Summit County, Ohio
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 6,811,356
Cash and Cash Equivalents in Segregated Accounts	775
Restricted Cash and Cash Equivalents	31,768
Receivables:	
Accounts	179,344
Intergovernmental	38,926
Property Taxes	4,492,437
Net OPEB Asset	703,121
Nondepreciable Capital Assets	3,942,915
Depreciable Capital Assets (Net)	11,675,017
<i>Total Assets</i>	<i>27,875,659</i>
Deferred Outflows of Resources	
Deferred Charges on Debt Refunding	219,024
Pension	3,195,769
OPEB	182,639
<i>Total Deferred Outflows of Resources</i>	<i>3,597,432</i>
Liabilities	
Accounts Payable	40,944
Accrued Wages and Benefits	735,193
Contracts Payable	791,202
Intergovernmental Payable	198,631
Matured Compensated Absences Payable	7,090
Long Term Liabilities:	
Due Within One Year	1,005,304
Due In More Than One Year:	
Net Pension Liability	11,555,787
Net OPEB Liability	952,548
Other Amounts Due in More Than One Year	12,726,178
<i>Total Liabilities</i>	<i>28,012,877</i>
Deferred Inflows of Resources	
Property Taxes Levied for the Next Fiscal Year	3,947,624
Pension	923,986
OPEB	1,185,351
<i>Total Deferred Inflows of Resources</i>	<i>6,056,961</i>
Net Position	
Net Investment in Capital Assets	3,765,525
Restricted For:	
Capital Outlay	612,337
Debt Service	359,357
Set Asides	31,768
Other Purposes	65,969
Unrestricted	(7,431,703)
<i>Total Net Position</i>	<i>\$ (2,596,747)</i>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 4,132,290	\$ 1,820,592	\$ 15,793	\$ (2,295,905)
Special	1,170,507	3,230	602,437	(564,840)
Vocational	124,286	0	19,906	(104,380)
Student Intervention Services	396,187	0	0	(396,187)
Other	213,339	0	0	(213,339)
Support Services:				
Pupils	658,974	0	632	(658,342)
Instructional Staff	341,108	6,650	0	(334,458)
Board of Education	92,795	0	0	(92,795)
Administration	693,993	0	0	(693,993)
Fiscal	341,161	0	0	(341,161)
Operation and Maintenance of Plant	1,031,516	0	0	(1,031,516)
Pupil Transportation	450,048	0	0	(450,048)
Central	73,237	0	5,400	(67,837)
Operation of Non-Instructional Services:				
Food Service Operations	273,011	131,002	133,835	(8,174)
Community Services	1,740	0	1,532	(208)
Extracurricular Activities	438,516	113,400	5,469	(319,647)
Debt Service:				
Interest and Fiscal Charges	261,779	0	0	(261,779)
Total	\$ 10,694,487	\$ 2,074,874	\$ 785,004	(7,834,609)

General Revenues

Property Taxes Levied for:

General Purposes	4,134,856
Debt Service	396,470
Capital Outlay	192,092
Grants and Entitlements Not Restricted to Specific Programs	5,151,358
Investment Earnings	70,580
Miscellaneous	159,867

Total General Revenues 10,105,223

Change in Net Position 2,270,614

Net Position Beginning of Year (4,867,361)

Net Position End of Year \$ (2,596,747)

SSee accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 4,425,527	\$ 2,048,898	\$ 336,931	\$ 6,811,356
Cash and Cash Equivalents in Segregated Accounts	0	0	775	775
Restricted Cash and Investments	31,768	0	0	31,768
Receivables:				
Accounts	35,753	143,591	0	179,344
Interfund	27,552	0	0	27,552
Intergovernmental	21,741	0	17,185	38,926
Property Taxes	3,920,239	0	572,198	4,492,437
<i>Total Assets</i>	<u>\$ 8,462,580</u>	<u>\$ 2,192,489</u>	<u>\$ 927,089</u>	<u>\$ 11,582,158</u>
Liabilities				
Accounts Payable	\$ 34,762	\$ 4,126	\$ 2,056	\$ 40,944
Accrued Wages and Benefits	681,663	0	53,530	735,193
Contracts Payable	0	791,202	0	791,202
Intergovernmental Payable	194,550	0	4,081	198,631
Matured Compensated Absences Payable	7,090	0	0	7,090
Interfund Payable	0	0	27,552	27,552
<i>Total Liabilities</i>	<u>918,065</u>	<u>795,328</u>	<u>87,219</u>	<u>1,800,612</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Fiscal Year	3,449,614	0	498,010	3,947,624
Unavailable Revenue - Delinquent Property Taxes	52,691	0	8,489	61,180
Unavailable Revenue - Other	12,853	0	17,185	30,038
<i>Total Deferred Inflows of Resources</i>	<u>3,515,158</u>	<u>0</u>	<u>523,684</u>	<u>4,038,842</u>
Fund Balances				
Nonspendable	378	0	0	378
Restricted	31,768	0	385,429	417,197
Assigned	1,513,446	1,397,161	0	2,910,607
Unassigned	2,483,765	0	(69,243)	2,414,522
<i>Total Fund Balances</i>	<u>4,029,357</u>	<u>1,397,161</u>	<u>316,186</u>	<u>5,742,704</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 8,462,580</u>	<u>\$ 2,192,489</u>	<u>\$ 927,089</u>	<u>\$ 11,582,158</u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances		\$ 5,742,704
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,617,932
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 61,180	
Intergovernmental	<u>30,038</u>	91,218
In the statement of activities, a loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding loss is reported when bonds are issued.		219,024
The net pension and OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	703,121	
Deferred Outflows - Pension	3,195,769	
Deferred Outflows - OPEB	182,639	
Net Pension Liability	(11,555,787)	
Net OPEB Liability	(952,548)	
Deferred Inflows - Pension	(923,986)	
Deferred Inflows - OPEB	<u>(1,185,351)</u>	(10,536,143)
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	(6,415,000)	
Certificates of Participation	(1,365,000)	
Lease-Purchase Agreements	(4,887,264)	
Premium on Refunding Bonds	(319,605)	
Compensated Absences	<u>(744,613)</u>	<u>(13,731,482)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ (2,596,747)</u></u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 4,211,605	\$ 0	\$ 543,115	\$ 4,754,720
Intergovernmental	5,230,839	0	736,753	5,967,592
Investment Income	70,580	0	0	70,580
Tuition and Fees	1,828,149	0	0	1,828,149
Extracurricular Activities	29,212	0	86,511	115,723
Charges for Services	0	0	131,002	131,002
Contributions and Donations	12,769	0	21,894	34,663
Miscellaneous	159,867	0	0	159,867
<i>Total Revenues</i>	<u>11,543,021</u>	<u>0</u>	<u>1,519,275</u>	<u>13,062,296</u>
Expenditures				
Current:				
Instruction:				
Regular	4,893,632	0	34,145	4,927,777
Special	1,000,854	0	363,826	1,364,680
Vocational	151,586	0	0	151,586
Student Intervention Services	396,612	0	0	396,612
Other	227,040	0	0	227,040
Support Services:				
Pupils	699,493	0	500	699,993
Instructional Staff	382,316	0	0	382,316
Board of Education	93,744	0	0	93,744
Administration	768,592	0	0	768,592
Fiscal	344,272	0	8,338	352,610
Operation and Maintenance of Plant	906,382	0	88,500	994,882
Pupil Transportation	426,006	0	0	426,006
Central	73,237	0	0	73,237
Extracurricular Activities	288,299	102,267	97,112	487,678
Operation of Non-Instructional Services:				
Food Service Operations	0	0	278,416	278,416
Community Services	0	0	1,740	1,740
Capital Outlay	0	3,763,226	10,650	3,773,876
Debt Service:				
Principal Retirement	70,435	0	505,000	575,435
Interest and Fiscal Charges	7,973	60,675	200,868	269,516
<i>Total Expenditures</i>	<u>10,730,473</u>	<u>3,926,168</u>	<u>1,589,095</u>	<u>16,245,736</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>812,548</u>	<u>(3,926,168)</u>	<u>(69,820)</u>	<u>(3,183,440)</u>
Other Financing Sources (Uses)				
Proceeds of Lease-Purchase Agreement	0	4,675,000	0	4,675,000
Transfers In	0	0	158,194	158,194
Transfers Out	(35,895)	0	(122,299)	(158,194)
<i>Total Other Financing Sources (Uses)</i>	<u>(35,895)</u>	<u>4,675,000</u>	<u>35,895</u>	<u>4,675,000</u>
Extraordinary Item				
Extraordinary Item (See Note 2)	0	601,910	0	601,910
<i>Net Change in Fund Balance</i>	776,653	1,350,742	(33,925)	2,093,470
<i>Fund Balances Beginning of Year</i>	<u>3,252,704</u>	<u>46,419</u>	<u>350,111</u>	<u>3,649,234</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,029,357</u>	<u>\$ 1,397,161</u>	<u>\$ 316,186</u>	<u>\$ 5,742,704</u>

See accompanying notes and accountant's compilation report.

**Mogadore Local School District
Summit County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$	2,093,470
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 3,941,173	
Current Year Depreciation	<u>(336,483)</u>	3,604,690
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(17,874)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(31,302)	
Insurance Recoveries (Extraordinary Item)	(601,910)	
Intergovernmental	<u>(65,893)</u>	(699,105)
Repayment of principal and accreted interest on capital appreciation bonds is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.		
General Obligation Bonds	420,000	
Lease-Purchase Agreements	70,435	
Certificates of Participation	<u>85,000</u>	575,435
Debt proceeds issued in the governmental funds that increase long-term in the Statement of Net Position are not reported as revenues.		
Lease-Purchase Agreement		(4,675,000)
In the statement of activities, bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Amortization of Premium on Bonds	24,585	
Amortization of Refunding Loss	<u>(16,848)</u>	7,737
Contractually required contributions are reported as expenditures in governmental funds; however, the net position reports these amounts as deferred outflows.		
Pension	869,072	
OPEB	<u>27,265</u>	896,337
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB assets/liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	(919,460)	
OPEB	<u>1,488,215</u>	568,755
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(83,831)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>2,270,614</u></u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 3,764,166	\$ 3,974,538	\$ 4,112,494	\$ 137,956
Intergovernmental	4,969,090	4,938,287	5,256,865	318,578
Investment Income	16,862	16,132	25,977	9,845
Tuition and Fees	1,764,516	1,714,288	1,786,438	72,150
Miscellaneous	57,342	53,856	123,983	70,127
<i>Total Revenues</i>	<u>10,571,976</u>	<u>10,697,101</u>	<u>11,305,757</u>	<u>608,656</u>
Expenditures				
Current:				
Instruction:				
Regular	4,997,452	4,997,452	4,862,081	135,371
Special	947,092	947,092	1,005,991	(58,899)
Vocational	155,245	155,445	151,297	4,148
Student Intervention Services	390,589	390,589	396,612	(6,023)
Other	275,169	274,669	227,040	47,629
Support Services:				
Pupils	607,495	607,495	707,898	(100,403)
Instructional Staff	467,995	472,995	375,027	97,968
Board of Education	92,902	92,902	123,549	(30,647)
Administration	848,425	848,225	793,365	54,860
Fiscal	372,725	372,725	351,599	21,126
Operation and Maintenance of Plant	965,714	965,714	941,238	24,476
Pupil Transportation	431,096	426,596	447,084	(20,488)
Central	63,302	63,302	75,237	(11,935)
Extracurricular Activities	264,550	264,550	260,576	3,974
Debt Service:				
Principal Retirement	70,435	70,435	70,435	0
Interest and Fiscal Charges	7,973	7,973	7,973	0
<i>Total Expenditures</i>	<u>10,958,159</u>	<u>10,958,159</u>	<u>10,797,002</u>	<u>161,157</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(386,183)</u>	<u>(261,058)</u>	<u>508,755</u>	<u>769,813</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	1,200	1,200	131	(1,069)
Transfers Out	(78,662)	(78,662)	(38,095)	40,567
<i>Total Other Financing Sources (Uses)</i>	<u>(77,462)</u>	<u>(77,462)</u>	<u>(37,964)</u>	<u>39,498</u>
<i>Net Change in Fund Balance</i>	(463,645)	(338,520)	470,791	809,311
<i>Fund Balance Beginning of Year</i>	3,554,442	3,554,442	3,554,442	0
Prior Year Encumbrances Appropriated	92,874	92,874	92,874	0
<i>Fund Balance End of Year</i>	<u>\$ 3,183,671</u>	<u>\$ 3,308,796</u>	<u>\$ 4,118,107</u>	<u>\$ 809,311</u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Investments	\$ 11,045	\$ 68,925
	<u> </u>	<u> </u>
Liabilities		
Due to Students	0	\$ 68,925
	<u> </u>	<u> </u>
Net Position		
Held in Trust for Scholarships	\$ 11,045	
	<u> </u>	

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 6,720
Deductions	
Payments in Accordance with Trust Agreements	5,582
<i>Change in Net Position</i>	1,138
<i>Net Position Beginning of Year</i>	9,907
<i>Net Position End of Year</i>	\$ 11,045

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Description of the School District and Reporting Entity

Mogadore Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or Federal guidelines.

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately four square miles. It is located in Summit and Portage Counties, and includes the entire Village of Mogadore and portions of Suffield Township. The School District operates three instructional buildings and one bus garage.

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 Mogadore Local School District, this includes general operations, food service, and student related activities of the School District.

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. There are no component units of the School District.

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Northeast Ohio Network for Educational Technology, the Maplewood Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Stark County Schools Council of Governments. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Mogadore Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the more significant of the School District's accounting policies.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. 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 fiscal 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 statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

General Fund The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Building Fund The building fund is a capital projects fund used to account for financial resources to be used for, most significantly, the construction of a new athletic fieldhouse.

The other governmental funds of the School District account for grants and other resources of the School District to which the School District is bound to observe constraints imposed upon the use of the sources.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds include agency funds, which reflect resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities; and a private purpose trust fund that disburses scholarships to students.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

Private purpose trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements. Agency funds do not report a measurement focus as they do not report operations.

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 and the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or 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 fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, grants, investment earnings, tuition, rentals and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as intergovernmental revenue.

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.

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. During fiscal year 2018, a fire damaged the School District's fieldhouse beyond repair. The net book value of the building and contents was \$80,638. The School District's insurance loss claim amounted to \$676,910. The School District received \$75,000 and \$458,319 of insurance recoveries in fiscal years 2018 and 2019, respectively and will receive an additional \$143,591 in fiscal year 2020.

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. All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the Certificate of Estimated Resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Revenues establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control set by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the 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 Certificate of Estimated Resources issued during fiscal year 2019.

The appropriation resolution is subject to amendment by the Board of Education throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2019.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Cash and Investments

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

The School District has segregated bank accounts for monies held separately from the School District's central bank account for athletics. These depository accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District's treasury.

During fiscal year 2019, investments were limited to money markets and US treasury notes.

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$70,580, which includes \$20,916 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

Premiums

In governmental fund types, note and bond premiums are recognized in the period in which debt is issued. On the Statement of Net Position, note and bond premiums are amortized over the term of the notes and bonds using the straight-line method, which is not significantly different than the bonds outstanding method, which approximates the effective interest method. Note and bond premiums are presented as an addition to the face amount of notes and bonds payable.

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 government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside as a reserve for budget stabilization and for capital improvements. See Note 17 for additional information regarding set-asides.

Capital Assets

The School District's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported on the fund financial statements.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District capitalization threshold is \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, 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	5 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	10 Years

Interfund Balances

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

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 School District 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 is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employee will be paid.

Pensions and Other Postemployment Benefits (OPEB)

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2019, there was no net position restricted by enabling legislation.

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources.

The classifications are as follows:

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

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

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

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

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

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

Interfund Activity

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

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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Implementation of New Accounting Principles

For the fiscal year ended June 30, 2019, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

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GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Note 3 – Fund Balance

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

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

	General	Building	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	\$ 378	\$ 0	\$ 0	\$ 378
Restricted for:				
Budget Stabilization - BWC Refund	31,768	0	0	31,768
Capital Outlay	0	0	31,152	31,152
Federal Grant Programs	0	0	5,207	5,207
Debt Service	0	0	301,617	301,617
Athletics	0	0	29,392	29,392
Other Grants	0	0	18,061	18,061
Total Restricted	31,768	0	385,429	417,197
Assigned for:				
Encumbrances:				
Instruction	13,059	0	0	13,059
Support Services	84,606	0	0	84,606
Extracurricular	60	0	0	60
Assigned for Subsequent Year Appropriations	1,278,177	0	0	1,278,177
Other Purposes	137,544	1,397,161	0	1,534,705
Total Assigned	1,513,446	1,397,161	0	2,910,607
Unassigned	2,483,765	0	(69,243) *	2,414,522
Total Fund Balance	\$ 4,029,357	\$ 1,397,161	\$ 316,186	\$ 5,742,704

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* Unassigned fund balance included the following individual fund deficits:

	Fund Balance
Major Fund:	
Building	\$ 100,254
Nonmajor Governmental Funds:	
Food Service	1,287
Title VI-B	31,741
Title I	30,547
Title VI-R	5,668

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as assigned, committed or restricted fund balance (GAAP basis).
4. Some funds are included in the General Fund (GAAP Basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

GAAP Basis	\$ 776,653
Net Adjustment for Revenue Accruals	(153,441)
Net Adjustment for Expenditure Accruals	21,089
Funds Budgeted Elsewhere**	(15,036)
Adjustment for Encumbrances	(158,474)
Budget Basis	\$ 470,791

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

Note 5 - Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, from the purchase date in the amount not to exceed forty percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate notes 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At year-end, \$4,989,033 of the School District's bank balance of \$5,239,033 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Segregated Cash The athletic checking account is maintained separately from the School District's deposits. The carrying amount of the deposits is reported as "Cash and Cash Equivalents in Segregated Accounts."

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Restricted Cash and Investments As of June 30, 2019, the School District had pooled cash that was a State restricted set-aside. These funds consist of workers' compensation refunds that were received prior to April 20, 2001. The carrying amount of the deposits is reported as "Restricted Cash and Investments".

Investments As of June 30, 2019 the School District had the following investments and maturities:

Ratings	Investment	Measurement Amount	Investment Maturities (in months)			% Total Investments
			0 - 12	13-36	Over 36	
	Net Asset Value (NAV):					
A-	Fifth Third Banksafe Trust Money Market	\$ 23,061	\$ 23,061	\$ 0	\$ 0	1.31%
	Fair Value:					
AA+	US Treasury Notes	1,731,648	524,465	752,408	454,775	98.69%
	Totals	\$ 1,754,709	\$ 547,526	\$ 752,408	\$ 454,775	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2019. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

Credit Risk The School District's investments at June 30, 2019 are rated as shown above by S&P Global Ratings. The School District's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested to any one issuer. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Note 6 - Property Taxes

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

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Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officer and County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$84,180,280	95.54%	\$ 86,540,640	92.08%
Public Utility Personal Property	5,866,480	4.46%	7,438,560	7.92%
Total	\$ 90,046,760	100.00%	\$ 93,979,200	100.00%

Tax rate per \$1,000 of assessed valuation	\$85.69	\$86.30
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Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Receivables

Receivables at June 30, 2019 consisted of property taxes, accounts, interfund and intergovernmental. 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 guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Balance</u> 6/30/2018	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 6/30/2019
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 183,353	\$ 0	\$ 0	\$ 183,353
Construction in Progress	0	3,759,562	0	3,759,562
Total Capital Assets, not being depreciated:	<u>183,353</u>	<u>3,759,562</u>	<u>0</u>	<u>3,942,915</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,209,355	0	0	1,209,355
Building and Improvements	15,555,736	87,000	0	15,642,736
Furniture and Equipment	1,641,782	94,611	0	1,736,393
Vehicles	921,490	0	(17,874) *	903,616
Total Capital Assets, being depreciated	<u>19,328,363</u>	<u>181,611</u>	<u>(17,874)</u>	<u>19,492,100</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,167,317)	0	0	(1,167,317)
Building and Improvements	(4,417,276)	(287,612)	0	(4,704,888)
Furniture and Equipment	(1,352,799)	(26,451)	0	(1,379,250)
Vehicles	(543,208)	(22,420)	0	(565,628)
Total Accumulated Depreciation	<u>(7,480,600)</u>	<u>(336,483)</u>	<u>0</u>	<u>(7,817,083)</u>
Total Capital Assets being depreciated, Net	<u>11,847,763</u>	<u>(154,872)</u>	<u>(17,874)</u>	<u>11,675,017</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,031,116</u>	<u>\$ 3,604,690</u>	<u>\$ (17,874)</u>	<u>\$ 15,617,932</u>

* Asset was capitalized in error in the prior fiscal year. This asset had no corresponding depreciation and was disposed in the current fiscal year.

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 94,672
Special	10,672
Support Services:	
Pupils	149
Instructional Staff	4,173
Administration	12,027
Fiscal	187
Operation and Maintenance of Plant	126,200
Pupil Transportation	20,234
Food Service Operations	1,351
Extracurricular Activities	66,818
Total Depreciation	\$ 336,483

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2019, the School District contracted with the Bowers Insurance and Financial Services, Inc. for fleet, property and inland marine insurance coverage and liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

The School District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an existing school district subsequent to the settlements of all expenses and claims.

Note 10 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified, full-time administrators and non-bargaining unit employees earn 10 to 25 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and elementary principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the amount of sick leave that may be accumulated. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

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Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program.

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

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Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019 and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

The School District’s contractually required contribution to SERS was \$160,543 for fiscal year 2019. Of this amount, \$10,324 is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$708,529 for fiscal year 2019. Of this amount, \$119,992 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.03378160%	0.04375641%	
Prior Measurement Date	0.03381740%	0.04387125%	
Change in Proportionate Share	-0.00003580%	-0.00011484%	
Proportionate Share of the Net			
Pension Liability	\$ 1,934,735	\$ 9,621,052	\$ 11,555,787
Pension Expense	\$ 66,375	\$ 853,085	\$ 919,460

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 106,108	\$ 222,083	\$ 328,191
Changes of Assumptions	43,691	1,705,032	1,748,723
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	2,432	247,351	249,783
School District Contributions Subsequent to the Measurement Date	160,543	708,529	869,072
Total Deferred Outflows of Resources	<u>\$ 312,774</u>	<u>\$ 2,882,995</u>	<u>\$ 3,195,769</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 62,831	\$ 62,831
Net Difference between Projected and Actual Earnings on Pension Plan Investments	53,604	583,408	637,012
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	42,909	181,234	224,143
Total Deferred Inflows of Resources	<u>\$ 96,513</u>	<u>\$ 827,473</u>	<u>\$ 923,986</u>

\$869,072 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ 112,331	\$ 766,835	\$ 879,166
2021	23,319	567,224	590,543
2022	(63,491)	138,485	74,994
2023	(16,441)	(125,551)	(141,992)
	<u>\$ 55,718</u>	<u>\$ 1,346,993</u>	<u>\$ 1,402,711</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

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Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 2,725,220	\$ 1,934,735	\$ 1,271,966

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

Post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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Asset Class	Target Allocation*	Long Term Expected Real Rate of Return**
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 14,050,280	\$ 9,621,052	\$ 5,872,312

Note 12 – Defined Benefit OPEB Plans

Net OPEB Asset/Liability

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

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

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

GASB 75 assumes the asset/liability is solely that of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees, which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$21,319.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$27,265 for fiscal year 2019. Of this amount \$21,701 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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OPEB Assets/Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.03433510%	0.04375641%	
Prior Measurement Date	0.03431580%	0.04387125%	
Change in Proportionate Share	<u>0.00001930%</u>	<u>-0.00011484%</u>	
Proportionate Share of the Net			
OPEB Liability/(Asset)	\$ 952,548	\$ (703,121)	\$ 249,427
OPEB Expense	\$ 26,528	\$ (1,514,743)	\$ (1,488,215)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 15,549	\$ 82,126	\$ 97,675
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	2,746	54,953	57,699
School District Contributions Subsequent to the Measurement Date	<u>27,265</u>	<u>0</u>	<u>27,265</u>
Total Deferred Outflows of Resources	<u>\$ 45,560</u>	<u>\$ 137,079</u>	<u>\$ 182,639</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 40,966	\$ 40,966
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	1,430	80,325	81,755
Changes of Assumptions	85,579	958,059	1,043,638
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>14,899</u>	<u>4,093</u>	<u>18,992</u>
Total Deferred Inflows of Resources	<u>\$ 101,908</u>	<u>\$ 1,083,443</u>	<u>\$ 1,185,351</u>

\$27,265 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$ (42,786)	\$ (168,233)	\$ (211,019)
2021	(33,151)	(168,233)	(201,384)
2022	(2,641)	(168,231)	(170,872)
2023	(2,031)	(149,992)	(152,023)
2024	(2,130)	(143,589)	(145,719)
Thereafter	(874)	(148,086)	(148,960)
	<u>\$ (83,613)</u>	<u>\$ (946,364)</u>	<u>\$ (1,029,977)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credit service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

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Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,155,843	\$ 952,548	\$ 791,577
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 768,532	\$ 952,548	\$ 1,196,219

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare premium reimbursements will be discontinued beginning January 1, 2020; however, in June of 2019, the STRS Board voted to extend the current Medicare Part B reimbursement for one year.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (602,640)	\$ (703,121)	\$ (787,570)
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (782,803)	\$ (703,121)	\$ (622,198)

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2019 were as follows:

	Balance 6/30/2018	Additions	Deductions	Balance 6/30/2019	Amounts Due In One Year
<i>2012 Refunding Bonds</i>					
<i>Maturing December 1, 2031:</i>					
<i>Serial and Term Bonds</i>	\$ 6,835,000	\$ 0	\$ 420,000	\$ 6,415,000	\$ 430,000
<i>Premium</i>	344,190	0	24,585	319,605	0
<i>Total 2012 Refunding Bonds</i>	7,179,190	0	444,585	6,734,605	430,000
<i>Direct Borrowings:</i>					
<i>Refunding Certificates of Participation</i>					
<i>Series 2016</i>					
<i>Maturing December 1, 2031:</i>	1,450,000	0	85,000	1,365,000	90,000
<i>2019 Lease-Purchase Agreement</i>	0	4,675,000	0	4,675,000	295,000
<i>Bus Lease-Purchase Agreement</i>	250,951	0	60,154	190,797	61,845
<i>Bus Lease-Purchase Agreement</i>	31,748	0	10,281	21,467	10,578
<i>Total Direct Borrowings</i>	1,732,699	4,675,000	155,435	6,252,264	457,423
<i>Net Pension/OPEB Liability</i>					
<i>Pension</i>	12,442,224	0	886,437	11,555,787	0
<i>OPEB</i>	2,632,640	0	1,680,092	952,548	0
<i>Total Net Pension/OPEB Liability</i>	15,074,864	0	2,566,529	12,508,335	0
<i>Other Long Term Liabilities</i>					
<i>Compensated Absences</i>	660,782	171,903	88,072	744,613	117,881
<i>Total Governmental Activities</i>	\$ 24,647,535	\$ 4,846,903	\$ 3,254,621	\$ 26,239,817	\$ 1,005,304

Compensated absences will be paid from the fund from which employees are paid, which is typically the general and food service funds. The refunding bonds and refunding certificates of participation will be repaid from the debt service fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

Refunding Certificates of Participation

On December 6, 2016, the School District issued \$1,535,000 in refunding certificates of participation bonds. The proceeds of the bonds were used to refund \$1,455,000 of the School District's outstanding capital improvement bonds. The bonds were issued for a 14 year period with final maturity at December

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1, 2031. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$198,529. The issuance resulted in an economic gain of \$240,999.

In the event of default, as defined by the lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the secured asset, including but not limited to leased property and personal property. Additionally, the lessor has the option to sublease the project facilities, holding the School District liable for all lease payments and other payments due prior to the effective date of the sublease and for the difference between the rental and other amounts paid by the subleases pursuant to such sublease and the amounts payable by the District pursuant to the lease during the then current lease term.

2012 Refunding Bonds

On December 20, 2012, the School District issued \$8,239,997 in refunding general obligation bonds. The proceeds of the bonds were used to refund \$8,240,000 of the School District's outstanding capital improvement bonds. The bonds were issued for a 19 year period with final maturity at December 1, 2031. At the date of the refunding, \$8,576,950 was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. Defeased bonds were called on December 1, 2013.

These refunding bonds were issued with a premium of \$491,699, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight line method. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,458,080. The issuance resulted in an economic gain of \$1,162,462.

The current interest bonds maturing on December 1, 2030 (the term bonds) are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, on December 1, 2029 and 2030.

The current interest bonds maturing on or after December 1, 2018 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000), on any date on or after December 1, 2027, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

The capital appreciation bonds matured on December 1, 2016 and December 1, 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds was \$845,000.

Lease-Purchase Agreements

On February 14, 2019, the School District entered into a lease-purchase agreement with Capital One Public Funding, LLC in the amount of \$4,675,000 at a 3.29 percent interest rate for the construction of a new athletic fieldhouse. In the event of default, as defined by the lease agreement, the Lessor has the right to exercise all rights and remedies, including the rights to demand an accounting of the project fund and the return of all sums remaining in the project fund and/or take possession of the project site and project

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facilities that make up the new athletic fieldhouse. Payments for the lease-purchase will be made from the bond retirement fund.

During fiscal year 2018, the School District entered into two lease-purchase agreements for five school buses in the amount of \$361,107. In the event of default, as defined by each lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the buses (secured assets) and hold the School District liable for amounts payable. Payments for the lease-purchase will be made from the general fund.

The following is a summary of the School District's future annual principal and interest requirements to retire the long-term debt:

Fiscal Year Ending June 30,	Certificates of Participation		Capital Improvement/ Refunding Bonds		Lease Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 90,000	\$ 34,980	\$ 430,000	\$ 155,069	\$ 367,423	\$ 200,654	\$ 887,423	\$ 390,703
2021	90,000	32,595	435,000	146,419	364,472	143,272	889,472	322,286
2022	95,000	30,144	450,000	137,569	375,369	131,299	920,369	299,012
2023	95,000	27,626	455,000	128,234	330,000	118,934	880,000	274,794
2024	100,000	25,042	465,000	118,169	355,000	107,666	920,000	250,877
2025 - 2029	540,000	83,741	2,510,000	414,239	2,090,000	344,957	5,140,000	842,937
2030 - 2032	355,000	14,243	1,670,000	76,351	1,005,000	33,475	3,030,000	124,069
Total	\$ 1,365,000	\$ 248,371	\$ 6,415,000	\$ 1,176,050	\$ 4,887,264	\$ 1,080,257	\$ 12,667,264	\$ 2,504,678

Note 14 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEOnet) which is a computer consortium. NEOnet is a jointly governed organization among School Districts located within the boundaries of Cuyahoga, Lake, Medina, Portage and Summit Counties. 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 among member districts. NEOnet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All the NEOnet revenues are generated from charges for services and state funding. To obtain financial information write NEOnet, 700 Graham Road, Cuyahoga Falls, Ohio 44221. The Summit County Educational Service Center serves as the fiscal agent. NEOnet is not dependent on the School District's participation, and no equity interest exists. The School District paid \$225,960 to NEOnet during fiscal year 2019.

Maplewood Career Center

The Maplewood Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the ten participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to Maplewood Career Center, 7075 State Route 88, Ravenna, Ohio 44266.

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Summit County, Ohio
Notes to the Basic Financial Statements
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Note 15 - Public Entity Risk Pools

Stark County Schools Council of Governments

The Stark County Schools Council of Governments (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of various school districts and a Workers Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Boards Association Workers' Compensation Group Rating Program

The School District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business affairs are conducted by a three member Board of Directors consisting of the president, the president-elect and the immediate past president of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year the participating school districts pay enrollment fees to the Program to cover the costs of administering the program.

Note 16 - Contingencies

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. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

Litigation

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

School Foundation

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this receipt, ODE has finalized the impact of the enrollment adjustments to the June 30, 2019 Foundation Funding for the School District. These adjustments were insignificant for the School District for fiscal year.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 17 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year 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. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2019, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

	<u>Capital Improvements</u>	<u>Budget Stabilization BWC Refund</u>
Set-Aside Restricted Balance as of June 30, 2018	\$ 0	\$ 31,768
Current Year Set-Aside Requirement	155,750	0
Current Year Offsets	(213,640)	0
Qualifying Disbursements	(705,868)	0
Total	<u>\$ (763,758)</u>	<u>\$ 31,768</u>
Set-Aside Balance Carried Forward to FY 2020	<u>\$ 0</u>	<u>\$ 0</u>
Set-Aside Restricted Balance as of June 30, 2019	<u>\$ 0</u>	<u>\$ 31,768</u>

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$31,768. This represents workers' compensation refunds that were received prior to April 20, 2001.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 18 – Interfund Activity

Interfund Receivable/Payable

Interfund balances at June 30, 2019 consisted of the following:

Fund	Interfund Receivable	Interfund Payable
<i>Major Governmental Funds:</i>		
General	\$ 27,552	\$ 0
<i>Non-major Governmental Funds</i>		
Other Grants	0	3,202
Title VI-B	0	12,602
Title I	0	6,080
Title VI-R	0	5,668
<i>Total Non-Major Governmental Funds</i>	<u>0</u>	<u>27,552</u>
<i>Total All Funds</i>	<u>\$ 27,552</u>	<u>\$ 27,552</u>

The general fund advanced monies to nonmajor governmental funds to cover expenditures until expected revenues were received. All interfund loans will be repaid in fiscal year 2020 with monies to be received from reimbursable expenditures incurred during fiscal year 2019.

Interfund Transfers

Transfers during June 30, 2019, consisted of the following:

Fund	Transfers In	Transfers Out
<i>Major Governmental Funds:</i>		
General	\$ 0	\$ 35,895
<i>Non-major Governmental Funds</i>		
Debt Service	122,299	0
Permanent Improvement	0	122,299
Food Service	20,000	0
Athletics	15,895	0
<i>Total Non-Major Governmental Funds</i>	<u>158,194</u>	<u>122,299</u>
<i>Total All Funds</i>	<u>\$ 158,194</u>	<u>\$ 158,194</u>

During the fiscal year, the general fund made transfers to the athletics and food service funds to fund operations. The transfer from the permanent improvement fund to the debt service fund was made to make principal and interest payments. Transfers between governmental funds are eliminated on the governmental-wide financials.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 19 – Significant Encumbrances

Encumbrance Commitments

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

Fund	Amount
General	\$ 105,194
Building	8,640
Nonmajor Governmental	22,981
	\$ 136,815

Contractual Commitments

	Amount of Contract	Expenditures as of 6/30/2019	Amount Remaining
New Fieldhouse	\$ 5,526,717	\$ 5,256,977	\$ 269,740
	\$ 5,526,717	\$ 5,256,977	\$ 269,740

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

Note 20 – Subsequent Event

On August 20, 2019, the School District entered into a supplemental ground-lease lease purchase agreement in the amount of \$700,000 to provide additional resources for the construction, enlargement or other improvement, furnishing and equipping the lease and eventual acquisition of facilities and improvements to facilities for School District purposes. Construction, acquisition, and improvement will be made to the School District’s stadium, including improvements to the field and track, as well as constructing, furnishing, and equipping a new fieldhouse and related site improvements.

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Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.03378160%	0.03381740%	0.03499180%	0.03640660%
School District's Proportionate Share of the Net Pension Liability	\$ 1,934,735	\$ 2,020,515	\$ 2,561,077	\$ 2,077,396
School District's Covered Payroll	\$ 1,133,926	\$ 1,231,550	\$ 1,363,350	\$ 1,820,379
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	170.62%	164.06%	187.85%	114.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.04375641%	0.04387125%	0.04243273%	0.04336540%
School District's Proportionate Share of the Net Pension Liability	\$ 9,621,052	\$ 10,421,709	\$ 14,203,514	\$ 11,984,928
School District's Covered Payroll	\$ 5,142,107	\$ 4,790,907	\$ 4,434,343	\$ 4,303,086
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.10%	217.53%	320.31%	278.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

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

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See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>
0.04044500%	0.04044500%
\$ 2,046,898	\$ 2,405,134
\$ 1,512,388	\$ 1,512,551
135.34%	159.01%
71.70%	65.52%
0.04460305%	0.04460305%
\$ 10,849,005	\$ 12,923,264
\$ 5,044,515	\$ 4,308,723
215.07%	299.93%
74.70%	69.30%

See accompanying notes to the required supplementary information.

Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>School Employees Retirement System (SERS)</i>					
Contractually Required Contribution	\$ 160,543	\$ 153,080	\$ 172,417	\$ 190,869	\$ 239,926
Contributions in Relation to the Contractually Required Contribution	<u>(160,543)</u>	<u>(153,080)</u>	<u>(172,417)</u>	<u>(190,869)</u>	<u>(239,926)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 1,189,207	\$ 1,133,926	\$ 1,231,550	\$ 1,363,350	\$ 1,820,379
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%	13.18%
<i>State Teachers Retirement System (STRS)</i>					
Contractually Required Contribution	\$ 708,529	\$ 719,895	\$ 670,727	\$ 620,808	\$ 602,432
Contributions in Relation to the Contractually Required Contribution	<u>(708,529)</u>	<u>(719,895)</u>	<u>(670,727)</u>	<u>(620,808)</u>	<u>(602,432)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,060,921	\$ 5,142,107	\$ 4,790,907	\$ 4,434,343	\$ 4,303,086
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 209,617	\$ 209,337	\$ 220,350	\$ 181,390	\$ 201,481
<u>(209,617)</u>	<u>(209,337)</u>	<u>(220,350)</u>	<u>(181,390)</u>	<u>(201,481)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,512,388	\$ 1,512,551	\$ 1,638,290	\$ 1,443,039	\$ 1,488,043
13.86%	13.84%	13.45%	12.57%	13.54%
\$ 655,787	\$ 560,134	\$ 612,761	\$ 643,290	\$ 611,678
<u>(655,787)</u>	<u>(560,134)</u>	<u>(612,761)</u>	<u>(643,290)</u>	<u>(611,678)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,044,515	\$ 4,308,723	\$ 4,713,546	\$ 4,948,385	\$ 4,705,215
13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution (1)	\$ 27,265	\$ 24,502	\$ 18,698	\$ 18,203
Contributions in Relation to the Contractually Required Contribution	<u>(27,265)</u>	<u>(24,502)</u>	<u>(18,698)</u>	<u>(18,203)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 1,189,207	\$ 1,133,926	\$ 1,231,550	\$ 1,363,350
OPEB Contributions as a Percentage of Covered Payroll (1)	2.29%	2.16%	1.52%	1.34%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,060,921	\$ 5,142,107	\$ 4,790,907	\$ 4,434,343
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 34,847	\$ 26,132	\$ 25,291	\$ 27,637	\$ 20,636	\$ 6,845
<u>(34,847)</u>	<u>(26,132)</u>	<u>(25,291)</u>	<u>(27,637)</u>	<u>(20,636)</u>	<u>(6,845)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,820,379	\$ 1,512,388	\$ 1,512,551	\$ 1,638,290	\$ 1,443,039	\$ 1,488,043
1.91%	1.73%	1.67%	1.69%	1.43%	0.46%
\$ 0	\$ 50,445	\$ 43,087	\$ 47,135	\$ 49,484	\$ 47,052
<u>0</u>	<u>(50,445)</u>	<u>(43,087)</u>	<u>(47,135)</u>	<u>(49,484)</u>	<u>(47,052)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,303,086	\$ 5,044,515	\$ 4,308,723	\$ 4,713,546	\$ 4,948,385	\$ 4,705,215
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability
Last Three Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>			
School District's Proportion of the Net OPEB Liability	0.03433510%	0.03431580%	0.03551451%
School District's Proportionate Share of the Net OPEB Liability	\$ 952,548	\$ 920,946	\$ 1,012,295
School District's Covered Payroll	\$ 1,133,926	\$ 1,231,550	\$ 1,363,350
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.00%	74.78%	74.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>			
School District's Proportion of the Net OPEB Liability/(Asset)	0.04375641%	0.04387125%	0.04243273%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (703,121)	\$ 1,711,694	\$ 2,269,313
School District's Covered Payroll	\$ 5,142,107	\$ 4,790,907	\$ 4,434,343
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-13.67%	35.73%	51.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Mogadore Local School District
Summit County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

Note 2 - Net OPEB Asset/Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62

Mogadore Local School District
Summit County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare

Fiscal year 2018 7.50 percent initially, decreasing to 4.00 percent

Fiscal year 2019 7.25 percent initially, decreasing to 4.75 percent

Medicare

Fiscal year 2018 5.50 percent initially, decreasing to 5.00 percent

Fiscal year 2019 5.375 percent initially, decreasing to 4.75 percent

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – STRS

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.



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

Mogadore Local School District
Summit County
1 South Cleveland Avenue
Mogadore, Ohio 44260

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mogadore Local School District, Summit County, (the District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2022, wherein we qualified our opinion on capital assets reported within governmental activities for the year ended June 30, 2020. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 20, 2022

MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019

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

1. Financial Reporting

FINDING NUMBER 2020-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were noted on the District's fiscal year 2019, financial statements::

- A prior audit adjustment was posted twice, causing an overstatement of Property Tax Revenue in the General Fund of \$16,286, and an understatement of Property Tax Revenue in the Bond Retirement Fund of \$12,773 and Capital Improvement Fund of \$3,513.
- An incorrect accounting system adjustment to personal property utility taxes was made to the Other Governmental Funds' Debt Service Fund instead of the General Fund, causing an understatement of Property Tax Revenue in the General Fund and overstatement of Property Tax Revenue in the Bond Retirement Fund of \$64,745.
- The District improperly recorded \$1,497,415 of goods or services that were received or performed after the balance sheet date as contracts payable, resulting in an overstatement of contracts payable and capital outlay expenditures in the Building Fund.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. The failure to prepare complete and accurate financial statements could lead to the financial statement user making misinformed decisions about the District's financial position. The accompanying financial statements have been adjusted to correct these errors.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and Board of Education, to identify and correct errors and omissions.

Official's Response: We did not receive a response from Officials to this finding.

2. Capital Assets

FINDING NUMBER 2020-002

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The District contracts with a capital asset valuation company to compile capital asset balances on a biannual basis. The District's GAAP convertor compiles the capital assets during the off year. The valuation company compiled the District's capital assets for 2020 fiscal year while the GAAP convertor compiled capital assets for 2019.

The following exceptions were noted with Capital Assets:

- The District recorded \$343,349 in depreciable capital asset additions on their fiscal year 2020 financial statements. However, there was no asset listing to support these additions.
- In fiscal year 2018, a fire destroyed the District's fieldhouse and related assets which had a remaining undepreciated value of \$69,859. These assets were properly removed by the GAAP compiler from the capital assets balances during fiscal year 2019. However, these assets were not removed by the valuation company on their reports for fiscal year 2020. The GAAP compiler used the valuation company's report to calculate the District's ending capital asset balance at June 30, 2020.
- Construction in Progress amounts were overstated in fiscal year 2019 by \$1,497,415 and understated in fiscal year 2020 by the same amount due to improper accrual of contracts payable in fiscal year 2019 by the same amount. More information can be found in Finding Number 2020-001

The items identified above are the result of the District not following their own capital asset policies and procedures. The impact of these discrepancies on the net capital assets recorded in the financial statements cannot reasonably be determined and; therefore, a determination on whether the capital assets (along with its impact on net position and current year depreciation) are fairly stated cannot be made.

Failure to correct these errors could result in continued modified opinions and adjustments to the financial statements.

On an annual basis, the District should conduct a complete physical inventory of its assets and provide updates to the capital asset valuation company. The District should review the updated capital asset valuation report prepared by the capital asset valuation company to ensure it is accurate and complete and then provide this information to the GAAP convertor for inclusion into the District's financial statements.

Official's Response: We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



MOGADORE LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/14/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov