



**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Mogadore Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Mogadore Local School District, Summit County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

December 12, 2003

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Mogadore Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBIT				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,671,603	\$169,348	\$0	\$302,487
Cash and Cash Equivalents in Segregated Accounts	0	2,500	0	0
Receivables:				
Taxes	3,963,256	0	0	254,909
Intergovernmental	29,379	0	0	0
Accrued Interest	22,836	0	0	0
Interfund Receivable	16,631	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	10,175	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	31,768	0	0	0
Other Debit				
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debit</i>	\$9,745,648	\$171,848	\$0	\$557,396

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$29,143	\$4,778	\$28,231	\$0	\$0	\$6,205,590
0	0	0	0	0	2,500
0	0	0	0	0	4,218,165
4,357	0	0	0	0	33,736
0	0	0	0	0	22,836
0	0	0	0	0	16,631
4,114	0	0	0	0	4,114
0	0	0	0	0	10,175
26,493	0	0	5,131,532	0	5,158,025
0	0	0	0	0	31,768
0	0	0	0	922,486	922,486
<u>\$64,107</u>	<u>\$4,778</u>	<u>\$28,231</u>	<u>\$5,131,532</u>	<u>\$922,486</u>	<u>\$16,626,026</u> (continued)

Mogadore Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities				
Accounts Payable	\$105,292	\$20,745	\$0	\$32,808
Accrued Wages	433,540	0	0	0
Compensated Absences Payable	14,740	0	0	0
Interfund Payable	0	10,000	0	0
Intergovernmental Payable	108,399	175	0	0
Deferred Revenue	3,072,479	0	0	205,126
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Bond Payable	0	0	0	0
<i>Total Liabilities</i>	<u>3,734,450</u>	<u>30,920</u>	<u>0</u>	<u>237,934</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	274,559	34,116	0	101,470
Reserved for Inventory	10,175	0	0	0
Reserved for Taxes	890,777	0	0	49,783
Reserved for Budget Stabilization	31,768	0	0	0
Unreserved:				
Designated for Budget Stabilization	290,434	0	0	0
Unreserved, Undesignated	4,513,485	106,812	0	168,209
<i>Total Fund Equity and Other Credits</i>	<u>6,011,198</u>	<u>140,928</u>	<u>0</u>	<u>319,462</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$9,745,648</u>	<u>\$171,848</u>	<u>\$0</u>	<u>\$557,396</u>

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$3,364	\$0	\$1,494	\$0	\$0	\$163,703
6,135	0	0	0	0	439,675
4,242	0	0	0	439,890	458,872
1,591	0	5,040	0	0	16,631
4,071	0	0	0	50,445	163,090
0	0	0	0	0	3,277,605
0	0	21,697	0	0	21,697
0	0	0	0	107,151	107,151
0	0	0	0	325,000	325,000
<u>19,403</u>	<u>0</u>	<u>28,231</u>	<u>0</u>	<u>922,486</u>	<u>4,973,424</u>
0	0	0	5,131,532	0	5,131,532
37,846	0	0	0	0	37,846
6,858	4,778	0	0	0	11,636
0	0	0	0	0	410,145
0	0	0	0	0	10,175
0	0	0	0	0	940,560
0	0	0	0	0	31,768
0	0	0	0	0	290,434
0	0	0	0	0	4,788,506
<u>44,704</u>	<u>4,778</u>	<u>0</u>	<u>5,131,532</u>	<u>0</u>	<u>11,652,602</u>
<u>\$64,107</u>	<u>\$4,778</u>	<u>\$28,231</u>	<u>\$5,131,532</u>	<u>\$922,486</u>	<u>\$16,626,026</u>

Mogadore Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003*

	General	Special Revenue	Debt Service
Revenues			
Taxes	\$4,946,479	\$0	\$0
Intergovernmental	1,774,276	260,413	0
Interest	104,636	689	0
Tuition and Fees	864,543	0	0
Extracurricular Activities	0	179,695	0
Contributions and Donations	25,922	22,990	0
Miscellaneous	48,804	14,036	0
<i>Total Revenues</i>	<u>7,764,660</u>	<u>477,823</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	2,860,602	67,263	0
Special	542,204	164,367	0
Vocational	49,982	0	0
Support Services:			
Pupils	291,156	54,255	0
Instructional Staff	416,950	55,548	0
Board of Education	63,299	0	0
Administration	596,403	861	0
Fiscal	277,786	10,000	0
Business	8,740	0	0
Operation and Maintenance of Plant	790,989	0	0
Pupil Transportation	347,231	0	0
Central	55,957	0	0
Extracurricular Activities	163,322	194,387	0
Capital Outlay	6,000	4,689	0
Debt Service:			
Principal Retirement	19,068	0	70,000
Interest and Fiscal Charges	6,916	0	20,075
<i>Total Expenditures</i>	<u>6,496,605</u>	<u>551,370</u>	<u>90,075</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,268,055</u>	<u>(73,547)</u>	<u>(90,075)</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	900	0	0
Operating Transfers In	53,235	32,705	90,075
Operating Transfers Out	(84,940)	(1,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(30,805)</u>	<u>31,705</u>	<u>90,075</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>1,237,250</u>	<u>(41,842)</u>	<u>0</u>
<i>Increase in Inventory</i>	2,289	0	0
<i>Fund Balances at Beginning of Year</i>	<u>4,771,659</u>	<u>182,770</u>	<u>0</u>
<i>Fund Balances at End of Year</i>	<u>\$6,011,198</u>	<u>\$140,928</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

Capital Projects	Totals (Memorandum Only)
\$297,023	\$5,243,502
26,549	2,061,238
0	105,325
0	864,543
0	179,695
0	48,912
0	62,840
323,572	8,566,055
75,751	3,003,616
0	706,571
0	49,982
0	345,411
0	472,498
0	63,299
0	597,264
3,848	291,634
0	8,740
14,960	805,949
0	347,231
0	55,957
0	357,709
113,580	124,269
0	89,068
0	26,991
208,139	7,346,189
115,433	1,219,866
0	900
0	176,015
(90,075)	(176,015)
(90,075)	900
25,358	1,220,766
0	2,289
294,104	5,248,533
\$319,462	\$6,471,588

Mogadore Local School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)*
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$4,182,633	\$4,182,633	\$0
Intergovernmental	1,774,277	1,774,277	0
Interest	86,650	81,800	(4,850)
Tuition and Fees	992,799	982,419	(10,380)
Extracurricular Activities	0	0	0
Contributions and Donations	25,922	25,922	0
Miscellaneous	47,781	51,356	3,575
<i>Total Revenues</i>	<u>7,110,062</u>	<u>7,098,407</u>	<u>(11,655)</u>
Expenditures			
Current:			
Instruction:			
Regular	2,894,096	2,840,801	53,295
Special	674,242	628,927	45,315
Vocational	57,208	51,146	6,062
Support Services:			
Pupils	339,011	313,511	25,500
Instructional Staff	484,258	435,032	49,226
Board of Education	103,497	76,300	27,197
Administration	622,255	592,219	30,036
Fiscal	302,792	282,976	19,816
Business	10,527	9,680	847
Operation and Maintenance of Plant	1,005,167	923,145	82,022
Pupil Transportation	616,526	371,286	245,240
Central	70,483	65,720	4,763
Extracurricular Activities	173,776	165,638	8,138
Capital Outlay	41,098	6,000	35,098
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>7,394,936</u>	<u>6,762,381</u>	<u>632,555</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(284,874)</u>	<u>336,026</u>	<u>620,900</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	900	900	0
Advances In	50,832	50,121	(711)
Operating Transfers In	65,284	53,235	(12,049)
Operating Transfers Out	(118,661)	(84,939)	33,722
Refund of Prior Year Receipts	0	0	0
Advances Out	(65,089)	(65,089)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(66,734)</u>	<u>(45,772)</u>	<u>20,962</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(351,608)</u>	<u>290,254</u>	<u>641,862</u>
<i>Fund Balances at Beginning of Year</i>	4,750,113	4,750,113	0
<i>Prior Year Encumbrances Appropriated</i>	<u>286,991</u>	<u>286,991</u>	<u>0</u>
<i>Fund Balances at End of Year</i>	<u>\$4,685,496</u>	<u>\$5,327,358</u>	<u>\$641,862</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
280,737	261,163	(19,574)	0	0	0
1,582	689	(893)	0	0	0
0	0	0	0	0	0
168,655	152,988	(15,667)	0	0	0
31,224	22,991	(8,233)	0	0	0
14,068	14,036	(32)	0	0	0
<u>496,266</u>	<u>451,867</u>	<u>(44,399)</u>	<u>0</u>	<u>0</u>	<u>0</u>
86,865	75,905	10,960	0	0	0
164,715	164,210	505	0	0	0
0	0	0	0	0	0
60,330	60,226	104	0	0	0
82,960	58,964	23,996	0	0	0
0	0	0	0	0	0
1,236	1,236	0	0	0	0
10,000	10,000	0	0	0	0
0	0	0	0	0	0
100	100	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
189,782	184,897	4,885	0	0	0
4,689	4,689	0	0	0	0
0	0	0	70,000	70,000	0
0	0	0	20,075	20,075	0
<u>600,677</u>	<u>560,227</u>	<u>40,450</u>	<u>90,075</u>	<u>90,075</u>	<u>0</u>
<u>(104,411)</u>	<u>(108,360)</u>	<u>(3,949)</u>	<u>(90,075)</u>	<u>(90,075)</u>	<u>0</u>
0	0	0	0	0	0
59,458	59,458	0	0	0	0
35,204	32,704	(2,500)	90,075	90,075	0
(1,000)	(1,000)	0	0	0	0
(495)	(472)	23	0	0	0
<u>(49,531)</u>	<u>(49,531)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>43,636</u>	<u>41,159</u>	<u>(2,477)</u>	<u>90,075</u>	<u>90,075</u>	<u>0</u>
(60,775)	(67,201)	(6,426)	0	0	0
163,823	163,823	0	0	0	0
<u>24,172</u>	<u>24,172</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$127,220</u>	<u>\$120,794</u>	<u>(\$6,426)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(continued)

Mogadore Local School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2003*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$256,302	\$256,302	\$0
Intergovernmental	26,549	26,549	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>282,851</u>	<u>282,851</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	138,440	124,366	14,074
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	4,577	3,848	729
Business	0	0	0
Operation and Maintenance of Plant	75,960	33,260	42,700
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	190,218	173,398	16,820
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>409,195</u>	<u>334,872</u>	<u>74,323</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(126,344)</u>	<u>(52,021)</u>	<u>74,323</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(90,075)	(90,075)	0
Refund of Prior Year Receipts	0	0	0
Advances Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(90,075)</u>	<u>(90,075)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(216,419)</u>	<u>(142,096)</u>	<u>74,323</u>
<i>Fund Balances at Beginning of Year</i>	251,932	251,932	0
<i>Prior Year Encumbrances Appropriated</i>	<u>58,373</u>	<u>58,373</u>	<u>0</u>
<i>Fund Balances at End of Year</i>	<u>\$93,886</u>	<u>\$168,209</u>	<u>\$74,323</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,438,935	\$4,438,935	\$0
2,081,563	2,061,989	(19,574)
88,232	82,489	(5,743)
992,799	982,419	(10,380)
168,655	152,988	(15,667)
57,146	48,913	(8,233)
61,849	65,392	3,543
<u>7,889,179</u>	<u>7,833,125</u>	<u>(56,054)</u>
3,119,401	3,041,072	78,329
838,957	793,137	45,820
57,208	51,146	6,062
399,341	373,737	25,604
567,218	493,996	73,222
103,497	76,300	27,197
623,491	593,455	30,036
317,369	296,824	20,545
10,527	9,680	847
1,081,227	956,505	124,722
616,526	371,286	245,240
70,483	65,720	4,763
363,558	350,535	13,023
236,005	184,087	51,918
70,000	70,000	0
20,075	20,075	0
<u>8,494,883</u>	<u>7,747,555</u>	<u>747,328</u>
<u>(605,704)</u>	<u>85,570</u>	<u>691,274</u>
900	900	0
110,290	109,579	(711)
190,563	176,014	(14,549)
(209,736)	(176,014)	33,722
(495)	(472)	23
<u>(114,620)</u>	<u>(114,620)</u>	<u>0</u>
<u>(23,098)</u>	<u>(4,613)</u>	<u>18,485</u>
(628,802)	80,957	709,759
5,165,868	5,165,868	0
369,536	369,536	0
<u>\$4,906,602</u>	<u>\$5,616,361</u>	<u>\$709,759</u>

Mogadore Local School District
*Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2003*

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues			
Sales	\$86,343	\$0	\$86,343
Other	75	0	75
<i>Total Operating Revenues</i>	<u>86,418</u>	<u>0</u>	<u>86,418</u>
Operating Expenses			
Salaries and Wages	45,015	0	45,015
Fringe Benefits	24,788	0	24,788
Purchased Services	949	0	949
Materials and Supplies	24,594	0	24,594
Cost of Sales	30,061	0	30,061
Depreciation	1,918	0	1,918
Other	1,542	0	1,542
<i>Total Operating Expenses</i>	<u>128,867</u>	<u>0</u>	<u>128,867</u>
<i>Operating Loss</i>	<u>(42,449)</u>	<u>0</u>	<u>(42,449)</u>
Non-Operating Revenues			
Donated Commodities	16,059	0	16,059
Operating Grants	31,259	0	31,259
<i>Total Non-Operating Revenues</i>	<u>47,318</u>	<u>0</u>	<u>47,318</u>
<i>Net Income</i>	4,869	0	4,869
<i>Retained Earnings at Beginning of Year</i>	<u>1,989</u>	<u>4,778</u>	<u>6,767</u>
<i>Retained Earnings at End of Year</i>	<u><u>\$6,858</u></u>	<u><u>\$4,778</u></u>	<u><u>\$11,636</u></u>

See accompanying notes to the general purpose financial statements

Mogadore Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2003

	Enterprise	Internal Service	Totals (Memorandum Only)
INCREASE IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities			
Cash Received from Customers	\$86,343	\$0	\$86,343
Cash Received from Other Operating Sources	75	0	75
Cash Payments to Suppliers for Goods and Services	(40,741)	0	(40,741)
Cash Payments to Employees for Services	(44,403)	0	(44,403)
Cash Payments for Employee Benefits	(24,220)	0	(24,220)
Cash Payments for Other Operating Expenses	(1,542)	0	(1,542)
<i>Net Cash Used for Operating Activities</i>	(24,488)	0	(24,488)
Cash Flows from Noncapital Financing Activity			
Intergovernmental Revenue	30,428	0	30,428
<i>Net Cash Provided by Noncapital Financing Activities</i>	30,428	0	30,428
<i>Net Increase in Cash and Cash Equivalents</i>	5,940	0	5,940
<i>Cash and Cash Equivalents at Beginning of Year</i>	23,203	4,778	27,981
<i>Cash and Cash Equivalents at End of Year</i>	\$29,143	\$4,778	\$33,921
Reconciliation of Operating Loss to Net Cash Used for Operating Activities			
<i>Operating Loss</i>	(\$42,449)	\$0	(\$42,449)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Donated Commodities Used During Year	16,059	0	16,059
Depreciation	1,918	0	1,918
<i>Changes in Assets and Liabilities:</i>			
Increase in Inventory Held for Resale	(533)	0	(533)
Increase in Accounts Payable	2,843	0	2,843
Increase in Accrued Wages	887	0	887
Decrease in Compensated Absences Payable	(3,781)	0	(3,781)
Increase in Intergovernmental Payable	568	0	568
<i>Total Adjustments</i>	17,961	0	17,961
<i>Net Cash Used for Operating Activities</i>	(\$24,488)	\$0	(\$24,488)

See accompanying notes to the general purpose financial statements

Mogadore Local School District
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2003*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$91,521	\$86,343	(\$5,178)
Other	75	75	0
Operating Grants	30,488	30,428	(60)
<i>Total Revenues</i>	<u>122,084</u>	<u>116,846</u>	<u>(5,238)</u>
Expenses			
Salaries and Wages	44,697	44,403	294
Fringe Benefits	26,003	24,220	1,783
Purchased Services	1,088	1,013	75
Materials and Supplies	48,745	44,931	3,814
Other	7,995	5,068	2,927
<i>Total Expenses</i>	<u>128,528</u>	<u>119,635</u>	<u>8,893</u>
<i>Excess of Revenues Under Expenses</i>	(6,444)	(2,789)	3,655
<i>Fund Equity at Beginning of Year</i>	20,064	20,064	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,139</u>	<u>3,139</u>	<u>0</u>
<i>Fund Equity at End of Year</i>	<u><u>\$16,759</u></u>	<u><u>\$20,414</u></u>	<u><u>\$3,655</u></u>

See accompanying notes to the general purpose financial statements

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$91,521	\$86,343	(\$5,178)
0	0	0	75	75	0
0	0	0	30,488	30,428	(60)
0	0	0	122,084	116,846	(5,238)
0	0	0	44,697	44,403	294
0	0	0	26,003	24,220	1,783
0	0	0	1,088	1,013	75
0	0	0	48,745	44,931	3,814
0	0	0	7,995	5,068	2,927
0	0	0	128,528	119,635	8,893
0	0	0	(6,444)	(2,789)	3,655
4,778	4,778	0	24,842	24,842	0
0	0	0	3,139	3,139	0
<u>\$4,778</u>	<u>\$4,778</u>	<u>\$0</u>	<u>\$21,537</u>	<u>\$25,192</u>	<u>\$3,655</u>

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District

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. It is staffed by 35 non-certificated employees and 66 certificated personnel who provide services to 884 students and other community members. The School District operates three instructional buildings and one bus garage.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government 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 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. The School District has no component units.

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, Maplewood Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Stark County Schools Council of Government Health Benefits Program. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the 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. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than major capital projects funds) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related cost.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund types:

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis Of Presentation - Fund Accounting (continued)

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The School District has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and 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. The available period for the School District is 60 days after 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 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2004 operations, have been recorded as deferred 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Budgetary Process

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2003.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Budgetary Process (continued)

the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to STAR Ohio, the State Treasurer's Investment Pool, repurchase agreements, and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio ("STAR Ohio") during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents (continued)

During the year, all investment earnings were distributed to the General Fund, Scholarship Special Revenue Fund and the Athletic and Music Special Revenue Fund. Interest income earned during fiscal year 2003 totaled \$105,325. The general fund's interest allocation includes \$7,560 assigned from other school district funds.

The School District has a segregated bank account for the athletic program, monies are held separate from the School District's central bank account. This depository account is presented as "Cash and Cash Equivalents in Segregated Accounts" on the combined balance sheet, since it is not required to be deposited into the School District's treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and school supplies held for resale and are expensed when used.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget reserve. A fund balance reserve has also been established.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500 dollars. The School District does not possess any infrastructure.

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. Interest incurred during the construction of general fixed assets is also not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

G. Fixed Assets and Depreciation (continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life that ranges from 5 to 20 years.

H. 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 payment method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than two months after year-end are generally considered not to have been paid with current available financial resources. In general, bond payments made more than 60 days after year end are considered not to have been made with current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

K. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required by state statute to be reserved for restricted reasons.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change to contributed capital during fiscal year 2003.

M. Estimates

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

N. Memorandum Only - Totals Columns

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 3 - Budgetary Basis of Accounting (continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

*Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types*

	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>
<i>GAAP Basis</i>	\$1,237,250	(\$41,842)	\$25,358
Net Adjustment for Revenue Accruals	(666,253)	(25,956)	(40,721)
Advances In	50,121	59,458	0
Net Adjustment for Expenditure Accruals	110,238	39,224	7,545
Advances Out	(65,089)	(49,531)	0
Adjustment for Encumbrances	(376,013)	(48,554)	(134,278)
<i>Budget Basis</i>	\$290,254	(\$67,201)	(\$142,096)

*Net Income/Excess of Revenues
and Transfers Under Expenses
All Proprietary Fund Types*

	<i>Enterprise</i>
<i>GAAP Basis</i>	\$4,869
Net Adjustment for Revenue Accruals	(831)
Advances In	0
Net Adjustment for Expense Accruals	(16)
Depreciation	1,918
Advances Out	0
Adjustment for Encumbrances	(8,729)
<i>Budget Basis</i>	(\$2,789)

For the debt service fund and the internal service fund, there was no difference between the GAAP basis and budget basis of accounting.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 4 - Deposits and Investments

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

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

Inactive deposits are public deposits that the School District's 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.

State Statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, 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 that the term of the agreement does 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 4 - Deposits and Investments (continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was (\$23,971) and the bank balance was \$34,480. The entire bank balance was covered by federal depository insurance.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The investment in STAR Ohio is not classified by degree of credit risk since these investments are not evidenced by securities that exist in physical or book entry form.

	<i>Category 3</i>	<i>Carrying Value</i>	<i>Market Value</i>
Repurchase Agreement	\$195,000	\$195,000	\$195,000
Federal Home Loan Bank (FHLB)	1,329,336	1,329,336	1,332,416
Federal National Mortgage Assoc.(FNMA)	4,309,245	4,309,245	4,324,925
STAR Ohio		430,248	430,248
<i>Totals</i>	<u>\$5,833,581</u>	<u>\$6,263,829</u>	<u>\$6,282,589</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 4 - Deposits and Investments (continued)

	<i>Cash and Cash Equivalents</i>	<i>Investments</i>
<i>GASB Statement No. 9</i>	\$6,239,858	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(195,000)	195,000
Federal Home Loan Bank (FHLB)	(1,329,336)	1,329,336
Federal National Mortgage Assoc.(FNMA)	(4,309,245)	4,309,245
STAR Ohio	(430,248)	430,248
 <i>GASB Statement No. 3</i>	 (\$23,971)	 \$6,263,829

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes, attached as a lien on December 31 of the prior year were levied April 1, and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 25 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. These taxes are levied at 25% and 24% of true value for capital assets and inventory.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Summit and Portage Counties. The county auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$890,777 for the general fund and \$49,783 for the permanent improvement fund.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 5 - Property Taxes (continued)

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<i>2002 Second- Half Collections</i>		<i>2003 First- Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$71,212,080	65.85%	\$77,944,220	68.51%
Public Utility Personal	2,770,340	2.56	2,780,420	2.44
Tangible Personal Property	34,154,050	31.59	33,048,149	29.05
	\$108,136,470	100.00%	\$113,772,789	100.00%
Tax Rate per \$1,000 of assessed valuation	\$67.50		\$67.50	

Note 6 - Receivables

Receivables at June 30, 2003, consisted of taxes and intergovernmental monies. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The principal items in the intergovernmental receivables is tuition of \$29,370 due from other school districts to the general fund and \$4,357 of federal and state subsidies due to the food service enterprise fund.

Note 7 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$53,339
Less: Accumulated Depreciation	(26,846)
<i>Net Fixed Assets</i>	\$26,493

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	<i>Balance June 30, 2002</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2003</i>
	Land and Improvements	\$1,096,638	\$105,927	(\$955)
Buildings and Improvements	2,269,556	101,822	0	2,371,378
Furniture and Equipment	1,102,709	177,429	(45,277)	1,234,861
Vehicles	318,734	5,750	(801)	323,683
<i>Total General Fixed Assets</i>	\$4,787,637	\$390,928	(\$47,033)	\$5,131,532

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 8 - 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 2003, the School District contracted with the Broderick Insurance Agency for fleet, property and inland marine insurance coverage. Liability coverage is provided by the Ohio School Plan (OSP). Coverages are as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings and Contents	\$20,410,567	\$500
Inland Marine Coverage	104,030	25
Boiler and Machinery	18,732,355	1,000
Automobile Liability	1,000,000	100 - 500
Uninsured Motorists	1,000,000	100 - 500
Crime Insurance	5,000	0
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (G.P.), an insurance purchasing pool (Note 15). The intent of the G.P. is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the G.P. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the G.P. Each participant pays its workers' compensation premium to the State based on the rate for the G.P. rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the G.P. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the G.P. Participation in the G.P. is limited to school districts that can meet the G.P.'s selection criteria. The firm of Sheakley Unicorp Inc. provides administrative, cost control and actuarial services of the G.P.

The School District changed from a self insured internal service fund to a premium based insurance plan during fiscal year 1995. As of June 30, 2003, the retained earnings of \$4,778 in the self-insurance internal service fund represents the remaining amount after all claims have been paid. The School District will analyze the fund during fiscal year 2004 to determine what to do with the retained earnings balance.

The School District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of 40 members. 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 exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$716.86 for family coverage and \$294.44 for single coverage per employee per month.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 9 - Employee Benefits

A. Compensated Absences

The criteria for determining vested 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 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.

B. 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 Government Health Benefits Program.

Note 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues publicly available general purpose financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 10 - Defined Benefit Pension Plans (continued)

A. State Teachers Retirement System (continued)

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

balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year ended June 30, 2002, 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the years ended June 30, 2003, 2002, and 2001 were \$411,789, \$279,230, and \$284,994, respectively; equal to the required contributions for each year.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$73,039, \$35,040, and \$34,668, respectively, equal to the required contributions for each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 11 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The STRS board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$31,676, for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 million at June 30, 2002 (the latest information available). For the year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including surcharge, equaled \$63,582, during the 2003 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 12 - Capital Leases

Capital lease obligations recorded in the general long-term obligations account group relate to copier equipment and a phone system which were leased under long-term agreements. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13, "Accounting for Leases". Capital lease payments have been reclassified and are reflected as debt service expenditures on the combined general purpose financial statements of the general fund. The expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of copiers and phone equipment have been capitalized in the general fixed assets account group in the amount of \$147,930, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2003 totaled \$19,068 in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

<i>Fiscal Year Ending June 30,</i>	<i>General Long-Term Obligation</i>
2004	\$21,525
2005	21,525
2006	21,525
2007	21,525
2008	21,525
2009	19,732
<i>Total Minimum Lease Payments</i>	127,357
<i>Less: Amount Representing Interest</i>	(20,206)
<i>Present Value of Minimum Lease Payments</i>	\$107,151

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	<i>Principal Outstanding 07/01/02</i>	<i>Additions</i>	<i>Deductions</i>	<i>Principal Outstanding 06/30/03</i>
<i>Compensated Absences</i>	\$395,005	\$44,885	\$0	\$439,890
<i>Intergovernmental</i>	47,800	50,445	(47,800)	50,445
<i>Capital Leases</i>	126,219	0	(19,068)	107,151
<i>Energy Conservation Improvement Bonds 5.60% Issued June 1, 1996</i>	395,000	0	(70,000)	325,000
<i>Total General Long-Term Obligations</i>	\$964,024	\$95,330	(\$136,868)	\$922,486

Compensated absences and the intergovernmental payable, which represents contractually required pension contributions paid outside the available period, will be paid from the fund from which employee's are paid. Capital lease obligations will be paid from the general fund. The energy conservation bonds are paid from the debt service fund.

The School District's overall legal debt margin was \$9,914,550 at June 30, 2003.

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 13 - Long-Term Obligations (continued)

Principal and interest requirements to retire the energy conservation bonds at June 30, 2003, are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2004	75,000	16,015	91,015
2005	80,000	11,675	91,675
2006	85,000	7,055	92,055
2007	85,000	2,337	87,337
<i>Total Energy Conservation Bonds</i>	<u>\$325,000</u>	<u>\$37,082</u>	<u>\$362,082</u>

Note 14 - Jointly Governed Organizations

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 17 School Districts located within the boundaries of 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, 420 Washington Ave., Cuyahoga Falls, Ohio 44221.

The Maplewood Joint Vocational School 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 district's elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to the Maplewood Joint Vocational School, 7075 State Route 88, Ravenna, Ohio 44266.

Note 15- Public Entity Risk Pools

The Stark County Schools Council of Government (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 40 members. The Council reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of June 30 (the latest information available).

	<u>2003</u>	<u>2002</u>
Cash and Investments	\$16,143,143	\$11,201,931
Actuarial Liabilities	\$5,089,000	\$4,865,000

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 15- Public Entity Risk Pools (continued)

The School District participated in the Ohio School Boards Association 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.

The School District participates in the Ohio School Plan, a shared risk pool which is governed by an assembly which consists of one representative from each participating school districts (usually the superintendent or designee). The pooled shared risk is for general liability insurance. Harcum-Hyre Insurance agency provides advertising, sales and marketing services. Hylant administers the plan and provides day to day plan management. Reinsurance is provided by Hartford reinsurance company.

Note 16 - Segment Information

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2003.

	<i>Food Service</i>	<i>Uniform School Supplies</i>	<i>Total Enterprise Funds</i>
	<hr/>	<hr/>	<hr/>
Operating Revenues	\$58,972	\$27,446	\$86,418
Operating Expenses			
Before Depreciation	107,079	19,870	126,949
Depreciation	1,918	0	1,918
Operating Income (Loss)	(50,025)	7,576	(42,449)
Donated Commodities	16,059	0	16,059
Operating Grants	31,259	0	31,259
Net Income (Loss)	(2,707)	7,576	4,869
Net Working Capital	5,412	19,151	24,563
Total Assets	40,010	24,097	64,107
Total Equity	25,553	19,151	44,704
Encumbrances at			
June 30, 2003	1,712	3,916	5,628

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 17 - School Funding Issue

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

Note 18 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

Note 19 - Set-Asides

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

Mogadore Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003 (continued)

Note 19 - Set-Asides (continued)

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

	<i>Textbooks</i>	<i>Capital Acquisition</i>
Set-Aside Cash Balance as of June 30, 2002	\$0	\$0
Current Year Set-Aside Requirement	121,523	121,523
Reduction Authorized by Legislative Restrictions	0	0
Qualifying Disbursements	121,523	121,523
Total	\$0	\$0
Set-Aside Cash Balance as of June 30, 2003	\$0	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the textbooks and capital acquisition set-aside amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Although no longer required by State statute, a budget stabilization reserve may still be set aside at the discretion of the school district. The budget stabilization reserve consists of the amount received from the Bureau of Worker's Compensation (BWC) in the form of refunds and additional amounts reserved by the Board as previously required by law. The amount received from the BWC amounted to \$31,768, and the remaining \$290,434 was due to Board action. The amount from Board actions is shown as a designation of fund balance in the financial statements.

Note 20 - Interfund Transactions

Interfund balances at June 30, 2003, consist of the following receivables and payables:

Fund	Receivables	Payables
<i>General Fund</i>	\$16,631	\$0
<i>Special Revenue Funds:</i>		
Public Support Services	0	4,986
Title VI	0	1,572
Drug Free	0	3,442
<i>Total Special Revenue Funds</i>	0	10,000
<i>Uniform School Supplies Enterprise Fund</i>	0	1,591
<i>Student Activities Agency Fund</i>	0	5,040
Total Interfund Receivables/Payables	\$16,631	\$16,631



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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 the general purpose financial statements of Mogadore Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2003 and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 12, 2003.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 12, 2003.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Mogadore Local School District
Summit County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
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800-282-0370
Facsimile 614-466-4490

MOGADORE LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2004**