

**MOGADORE LOCAL SCHOOL DISTRICT**  
*Basic Financial Statements*

*Year Ended June 30, 2008*





Mary Taylor, CPA  
Auditor of State

Board of Education  
Mogadore Local School District  
1 South Cleveland Ave.  
Mogadore, Ohio 44260

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 20, 2010

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**MODGADORE LOCAL SCHOOL DISTRICT**

*For the Year Ended June 30, 2008*

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 16, 2009

The Board of Education  
Mogadore Local School District  
1 South Cleveland Ave.  
Mogadore, Ohio 44260

## **INDEPENDENT AUDITOR'S REPORT**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hea & Associates, Inc.*



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

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The discussion and analysis of Mogadore Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key Financial Highlights for 2008 are as follows:

- In total, net assets decreased \$966,327.
- Revenues for governmental activities totaled \$9,614,207 during 2008. Of this total, 82 percent consisted of General revenues while Program revenues accounted for the balance of 18 percent.
- Program expenses totaled \$10,580,534. Instructional expenses made up 55 percent of this total while support services accounted for 34 percent. Other expenses rounded out the remaining 11 percent.

**Using this Annual Financial Report**

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

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

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

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

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

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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's Non-Fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement fund and the building capital projects fund.

*Governmental Funds*

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

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

**The School District as a Whole**

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

**Table 1**  
**Net Assets**

	<i>Governmental Activities</i>	
	2008	2007
<b>Assets</b>		
Current and Other Assets	\$ 10,915,736	\$ 13,500,844
Capital Assets, Net	14,435,202	13,234,872
<i>Total Assets</i>	25,350,938	26,735,716
<b>Liabilities</b>		
Current and Other Liabilities	4,537,045	4,792,126
Long-term Liabilities:		
Due Within One Year	465,871	369,812
Due in More than One Year	12,028,743	12,288,172
<i>Total liabilities</i>	17,031,659	17,450,110
<b>Net assets</b>		
Invested in Capital Assets, Net of Debt	2,559,030	1,051,587
Restricted	661,290	2,237,103
Unrestricted	5,098,959	5,996,916
<i>Total Net Assets</i>	\$ 8,319,279	\$ 9,285,606

Total assets decreased by \$1,384,778. The majority of the decrease can be attributed to a decrease in cash and cash equivalents due to the District spending down money in the building fund.

Total liabilities decreased by \$418,451. This decrease can be attributed mainly to a decrease in deferred revenue and long term debt.

By comparing assets and liabilities, one can see the overall position of the School District is stable and continues to thrive.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$7,911,292 or 82 percent of the total revenue. The most significant portion of general revenues is local property tax and state support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,702,915 or 18 percent of total revenue.

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

Table 2 shows the changes in net assets and compares revenue and expenses from fiscal year 2008 to fiscal year 2007. A comparative analysis of government-wide data is presented.

**Table 2**  
**Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 1,329,258	\$ 1,150,275
Operating Grants and Contributions	373,657	349,537
<b>Total Program Revenues</b>	<u>1,702,915</u>	<u>1,499,812</u>
General Revenues:		
Property Taxes	3,696,364	3,953,600
Grants and Entitlements	3,692,666	3,144,340
Investments Earnings	370,674	600,131
Miscellaneous	151,588	76,237
<b>Total General Revenues</b>	<u>7,911,292</u>	<u>7,774,308</u>
<b>Total Revenues</b>	<u>9,614,207</u>	<u>9,274,120</u>
<b>Program Expenses:</b>		
Instruction		
Regular	4,387,493	3,854,939
Special	787,589	614,140
Vocational	82,098	77,418
Other	546,809	366,024
Support Services:		
Pupil	510,222	470,308
Instructional Staff	375,423	374,009
Board of Education	45,899	30,813
Administration	807,139	598,111
Fiscal	417,383	341,943
Business	397	363
Operation and Maintenance	958,320	877,099
Pupil Transportation	385,253	370,319
Central	68,836	86,586
Operating of Non-Instructional Services	293,648	147,300
Extracurricular Activities	326,515	367,580
Interest and Fiscal Charges	587,510	470,193
<b>Total Program Expenses</b>	<u>10,580,534</u>	<u>9,047,145</u>
<b>Increase (Decrease) in Net Assets</b>	(966,327)	226,975
<b>Net Assets Beginning of Year</b>	<u>9,285,606</u>	<u>9,058,631</u>
<b>Net Assets End of Year</b>	<u>\$ 8,319,279</u>	<u>\$ 9,285,606</u>

Certain amounts have been reclassified for 2007 for comparability purposes.

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

**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 55 percent of the School Districts expense is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 34 percent. The remaining amount of program expenses, 11 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows a comparative of the total cost of services for governmental activities and the net cost of those services for fiscal year 2008 to fiscal year 2007. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	<i>Total Cost of Services 2008</i>	<i>Net Cost of Services 2008</i>	<i>Total Cost of Services 2007</i>	<i>Net Cost of Services 2007</i>
Instruction				
Regular	\$ 4,387,493	\$ 3,404,683	\$ 3,854,939	\$ 3,798,021
Special	787,589	478,061	614,140	380,545
Vocational	82,098	82,098	77,418	77,418
Other	546,809	546,809	366,024	366,024
Support Services:				
Pupils	510,222	452,959	470,308	421,525
Instructional Staff	375,423	372,329	374,009	347,357
Board of Education	45,899	45,899	30,813	30,813
Administration	807,139	807,139	598,111	598,111
Fiscal	417,383	412,383	341,943	336,943
Business	397	397	363	363
Operation and Maintenance	958,320	939,095	877,099	877,099
Pupil Transportation	385,253	385,253	370,319	370,319
Central	68,836	59,836	86,586	77,586
Operation of Non-Instructional Services	293,648	70,188	147,300	35,172
Extracurricular Activities	326,515	232,980	367,580	222,772
Interest and Fiscal Charges	587,510	587,510	470,193	470,193
<b>Total</b>	<b>\$ 10,580,534</b>	<b>\$ 8,877,619</b>	<b>\$ 9,047,145</b>	<b>\$ 8,410,261</b>

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

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As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 35 percent of total costs are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 35 percent of total costs, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 16 percent of all governmental expenses.

### **School District's Funds**

Information regarding the School District's major funds can be found on page 20 and 21 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources totaled \$9,620,929 and expenditures and other financing uses totaled \$12,245,755. The general fund balance decreased by \$1,013,372, the bond retirement debt service fund balance increased by \$9,246 and the building capital projects fund balance decreased by \$1,411,720.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of fiscal 2008, the School District did not amend its general fund budget. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management. . The original and final budget basis expenditures and other financing uses totaled \$9,211,089, there was no change during the fiscal year.

For the general fund, the original budget basis revenue and other financing sources estimate totaled \$8,243,847 and the final budget basis revenue and other financing sources estimate totaled \$8,095,185. The decrease can be attributed to less tax revenues.

The School District's general fund unencumbered ending cash balance totaled \$6,011,361, which was above the original budgeted amount, due to reduced spending during the fiscal year.

### **Capital Assets and Debt Administration**

#### *Capital Assets*

At the end of fiscal 2008, the School District had \$14,435,202 invested in construction in progress, land and improvements, buildings and improvements, furniture and fixtures, vehicles, net of accumulated depreciation. Table 4 shows fiscal 2008 values compared to 2007.

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

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**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	<i>Governmental Activities</i>	
	2008	2007
Construction in Progress	\$ 13,078,467	\$ 11,809,187
Land	98,050	98,050
Land Improvements	1,148,831	1,148,831
Buildings and Improvements	2,447,459	2,447,459
Furniture and Fixtures	1,431,180	1,386,241
Vehicles	514,878	497,178
Accumulated Deprecation	(4,283,663)	(4,152,074)
<i>Totals</i>	\$ 14,435,202	\$ 13,234,872

All capital assets are reported at historical cost. For more information on capital assets refer to Note 7 of the basic financial statements.

*Debt*

At June 30, 2008 the School District had \$11,956,475 in bonded debt outstanding. Table 5 below summarizes the School District's debt outstanding.

**Table 5**  
**Outstanding Debt at June 30, 2008**

	2008	2007
School Improvement Bonds	\$ 9,610,000	\$ 9,900,000
Capital Appreciation Bonds	284,314	241,567
Lease Revenue Bonds	2,062,161	2,106,523
<i>Totals</i>	\$ 11,956,475	\$ 12,248,090

The school improvement bonds will be repaid by December 1, 2031 and the capital appreciation bonds will be repaid by December 1, 2013. The lease revenue bonds will be repaid by December 1, 2031. For information on outstanding debt refer to Note 13 of the basic financial statements.

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

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**School District Outlook**

Mogadore Local Schools has a strong financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May of 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. In December, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding system. The decision reaffirmed earlier decisions that Ohio's current school funding system is unconstitutional. However, the Supreme Court also relinquished jurisdiction over the case and directed the "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding. The State has stated that the per pupil revenue for a minimum education should be increased at an inflationary rate of 2.2 to 3.0 percent per year for future years, however the cost of doing business factor has been eliminated when computing state funding which will have negative effect on the funds received from the State.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

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

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Mr. Chris Adams, Treasurer, at Mogadore Local School District, 1 S Cleveland Ave., Mogadore, Ohio 44260, or call 330-628-9946.



# Mogadore Local School District

## Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$6,934,127
Cash and Investments in Segregated Accounts	1,489
Inventory Held for Resale	15,162
Intergovernmental Receivable	53,294
Taxes Receivable	3,812,203
Deferred Charges	99,461
Non-Depreciable Capital Assets	13,176,517
Depreciable Capital Assets, net	1,258,685
<b>Total Assets</b>	<u>25,350,938</u>
<b>Liabilities</b>	
Accounts Payable	113,971
Accrued Wages and Benefits	758,761
Intergovernmental Payable	294,326
Accrued Interest Payable	41,050
Deferred Revenue	3,328,937
Long-Term Liabilities:	
Due Within One Year	465,871
Due in More Than One Year	12,028,743
<b>Total Liabilities</b>	<u>17,031,659</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,559,030
Restricted for Debt Service	119,868
Restricted for Capital Outlay	420,234
Restricted for Other Purposes	121,188
Unrestricted	5,098,959
<b>Total Net Assets</b>	<u><u>\$8,319,279</u></u>

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

	<u>Program Revenues</u>			<i>Net (Expenses) Revenue and Changes in Net Assets</i>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,387,493	\$936,129	\$46,681	(\$3,404,683)
Special	787,589	73,263	236,265	(478,061)
Vocational	82,098	0	0	(82,098)
Other	546,809	0	0	(546,809)
Support Services:				
Pupils	510,222	45,028	12,235	(452,959)
Instructional Staff	375,423	0	3,094	(372,329)
Board of Education	45,899	0	0	(45,899)
Administration	807,139	0	0	(807,139)
Fiscal	417,383	0	5,000	(412,383)
Business	397	0	0	(397)
Operation and Maintenance of Plant	958,320	19,225	0	(939,095)
Pupil Transportation	385,253	0	0	(385,253)
Central	68,836	0	9,000	(59,836)
Operation of Non-Instructional Services	293,648	162,750	60,710	(70,188)
Extracurricular Activities	326,515	92,863	672	(232,980)
Interest and Fiscal Charges	587,510	0	0	(587,510)
<b>Totals</b>	<u>\$10,580,534</u>	<u>\$1,329,258</u>	<u>\$373,657</u>	<u>(8,877,619)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	2,971,726
Capital Purposes	201,190
Debt Service Fund	523,448
Grants and Entitlements not Restricted to Specific Programs	3,692,666
Investment Earnings	370,674
Miscellaneous	151,588
<b>Total General Revenues</b>	<u>7,911,292</u>
<b>Change in Net Assets</b>	(966,327)
<b>Net Assets Beginning of Year</b>	<u>9,285,606</u>
<b>Net Assets End of Year</b>	<u><u>\$8,319,279</u></u>

**Mogadore Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2008*

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Building Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$6,207,471	\$106,924	\$174,007	\$413,957	\$6,902,359
Cash and Investments					
in Segregated Accounts	0	0	0	1,489	1,489
Inventory Held for Resale	0	0	0	15,162	15,162
Intergovernmental Receivable	40,000	0	0	13,294	53,294
Taxes Receivable	3,029,997	570,857	0	211,349	3,812,203
Restricted Assets:					
Equity in Pooled Cash and Investments	31,768	0	0	0	31,768
<b>Total Assets</b>	<b>\$ 9,309,236</b>	<b>\$ 677,781</b>	<b>\$ 174,007</b>	<b>\$ 655,251</b>	<b>\$ 10,816,275</b>
<b>Liabilities</b>					
Accounts Payable	38,334	0	25,760	49,877	113,971
Accrued Wages and Benefits	739,113	0	0	19,648	758,761
Intergovernmental Payable	291,063	0	0	3,263	294,326
Deferred Revenue	2,869,951	537,639	0	201,408	3,608,998
<b>Total Liabilities</b>	<b>3,938,461</b>	<b>537,639</b>	<b>25,760</b>	<b>274,196</b>	<b>4,776,056</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	147,765	0	130,218	95,172	373,155
Reserved for Property Taxes	200,046	33,218	0	13,073	246,337
Reserved for Budget Stabilization	31,768	0	0	0	31,768
Unreserved, Undesignated, Reported in:					
General Fund	4,991,196	0	0	0	4,991,196
Special Revenue Funds	0	0	0	111,550	111,550
Debt Service Fund	0	106,924	0	0	106,924
Capital Projects Funds	0	0	18,029	161,260	179,289
<b>Total Fund Balances</b>	<b>5,370,775</b>	<b>140,142</b>	<b>148,247</b>	<b>381,055</b>	<b>6,040,219</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,309,236</b>	<b>\$677,781</b>	<b>\$174,007</b>	<b>\$655,251</b>	<b>\$10,816,275</b>

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

<b>Total Governmental Fund Balances</b>		\$6,040,219
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,435,202
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$236,929	
Grants	3,132	
Excess costs	40,000	280,061
In the statement of activities, bond issuance cost are amortized costs of insurance to individual funds. The assets and liabilities over the life of the bonds, whereas in governmental funds, a bond issuance expense is reported when paid.		99,461
In the statement of activities, interest is accrued on outstanding bonds, notes and capital leases, whereas in governmental funds, an interest expenditure is reported when due.		(41,050)
Long-term liabilities, including bonds payable, notes payable, capital leases payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(9,610,000)	
Accreted Bonds	(104,317)	
Capital Appreciation Bonds	(179,997)	
Compensated Absences	(518,981)	
Revenue Lease Bonds	(1,960,000)	
Premium on Revenue Lease Bonds	(102,161)	
Capital Leases Payable	(19,158)	(12,494,614)
<b>Net Assets of Governmental Activities</b>		<b>\$8,319,279</b>

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

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>Building Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Taxes	\$2,806,710	\$507,940	\$0	\$193,525	\$3,508,175
Intergovernmental	3,407,393	204,319	0	437,572	4,049,284
Interest	343,992	0	26,682	358	371,032
Tuition and Fees	967,580	0	0	24,700	992,280
Extracurricular Activities	0	0	0	114,006	114,006
Gifts and Donations	19,225	0	0	14,550	33,775
Customer Sales and Services	0	0	0	162,749	162,749
Miscellaneous	92,064	0	360	7,996	100,420
<b>Total Revenues</b>	<b>7,636,964</b>	<b>712,259</b>	<b>27,042</b>	<b>955,456</b>	<b>9,331,721</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	3,857,849	0	0	63,267	3,921,116
Special	538,817	0	0	232,917	771,734
Vocational	82,236	0	0	0	82,236
Other	546,462	0	0	0	546,462
Support Services:					
Pupils	459,835	0	0	42,241	502,076
Instructional Staff	359,504	0	0	21,110	380,614
Board of Education	45,899	0	0	0	45,899
Administration	779,404	0	0	0	779,404
Fiscal	392,501	9,484	988	9,777	412,750
Business	397	0	0	0	397
Operation and Maintenance of Plant	920,500	0	0	0	920,500
Pupil Transportation	354,297	0	0	17,700	371,997
Central	59,836	0	0	9,000	68,836
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	257,371	257,371
Extracurricular Activities	205,994	0	0	119,210	325,204
Capital Outlay	0	0	1,465,862	247,434	1,713,296
Debt Service:					
Principal	19,745	330,000	0	0	349,745
Interest and Fiscal Charges	1,780	553,221	0	0	555,001
<b>Total Expenditures</b>	<b>8,625,056</b>	<b>892,705</b>	<b>1,466,850</b>	<b>1,020,027</b>	<b>12,004,638</b>
<b>Excess of Revenues (Under) Expenditures</b>	<b>(988,092)</b>	<b>(180,446)</b>	<b>(1,439,808)</b>	<b>(64,571)</b>	<b>(2,672,917)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	189,692	0	48,350	238,042
Proceeds from the Sale of Capital Assets	10,158	0	0	0	10,158
Refund of Prior Year Expenditures	12,911	0	28,088	9	41,008
Refund of Prior Year Receipts	0	0	0	(3,075)	(3,075)
Transfers Out	(48,350)	0	0	(189,692)	(238,042)
<b>Total Other Financing Sources (Uses)</b>	<b>(25,281)</b>	<b>189,692</b>	<b>28,088</b>	<b>(144,408)</b>	<b>48,091</b>
<b>Net Change in Fund Balances</b>	<b>(1,013,373)</b>	<b>9,246</b>	<b>(1,411,720)</b>	<b>(208,979)</b>	<b>(2,624,826)</b>
<b>Fund Balances Beginning of Year</b>	<b>6,384,148</b>	<b>130,896</b>	<b>1,559,967</b>	<b>590,034</b>	<b>8,665,045</b>
<b>Fund Balances End of Year</b>	<b>\$5,370,775</b>	<b>\$140,142</b>	<b>\$148,247</b>	<b>\$381,055</b>	<b>\$6,040,219</b>

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

**Net Change in Fund Balances - Total Governmental Funds** (\$2,624,826)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	\$1,331,920	
Depreciation	(131,590)	
<i>Total</i>		1,200,330

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 231,320

Repayment of notes, bonds and capital leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current period, these amounts are:

Bond Payments	330,000	
Capital Lease Payments	19,745	
<i>Total</i>		349,745

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The amortization of issuance costs, bond premium and accretion is reflected as an expense in the statement of activities:

Issuance Costs	(4,247)	
Premium	4,362	
Bond Accretion	(42,747)	
<i>Total</i>		(42,632)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds, these amounts are:

Accrued Interest Payable	10,123	
Accrued Vacation	57,603	
Compensated Absences	(147,990)	
<i>Total</i>		(80,264)

**Changes in Net Assets of Governmental Activities** (\$966,327)

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

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
<b>Revenues</b>				
Property Taxes	\$3,431,510	\$3,282,848	\$3,317,740	\$34,892
Intergovernmental	3,357,337	3,357,337	3,412,193	54,856
Interest	390,000	390,000	367,637	(22,363)
Tuition and Fees	965,000	965,000	967,580	2,580
Gifts and Donations	2,000	2,000	19,225	17,225
Miscellaneous	79,000	79,000	139,426	60,426
<b>Total Revenues</b>	<b>8,224,847</b>	<b>8,076,185</b>	<b>8,223,801</b>	<b>147,616</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,013,458	3,987,846	3,889,624	98,222
Special	463,871	473,299	522,976	(49,677)
Vocational	83,180	83,180	81,293	1,887
Other	469,492	469,492	474,599	(5,107)
<b>Support Services:</b>				
Pupils	463,342	462,735	463,969	(1,234)
Instructional Staff	371,568	394,939	354,654	40,285
Board of Education	83,505	83,505	46,252	37,253
Administration	650,793	672,482	692,762	(20,280)
Fiscal	394,909	394,932	365,565	29,367
Business	600	600	397	203
Operation and Maintenance of Plant	1,240,767	1,239,337	998,860	240,477
Pupil Transportation	436,209	435,241	394,663	40,578
Central	147,495	147,495	62,813	84,682
Extracurricular Activities	231,900	235,006	210,319	24,687
Capital Outlay	30,000	1,000	0	1,000
<b>Total Expenditures</b>	<b>9,081,089</b>	<b>9,081,089</b>	<b>8,558,746</b>	<b>522,343</b>
<b>Excess of Revenues Over</b> <b>(Under) Expenditures</b>	<b>(856,242)</b>	<b>(1,004,904)</b>	<b>(334,945)</b>	<b>669,959</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	5,000	5,000	0	(5,000)
Advances In	6,000	6,000	754	(5,246)
Proceeds from Sale of Capital Assets	2,000	2,000	10,158	8,158
Refund of Prior Year Expenditures	6,000	6,000	12,911	6,911
Transfers Out	(120,000)	(120,000)	(48,350)	71,650
Advances Out	(10,000)	(10,000)	0	10,000
<b>Total Other Financing Sources (Uses)</b>	<b>(111,000)</b>	<b>(111,000)</b>	<b>(24,527)</b>	<b>86,473</b>
<b>Net Change in Fund Balance</b>	<b>(967,242)</b>	<b>(1,115,904)</b>	<b>(359,472)</b>	<b>756,432</b>
<b>Fund Balance Beginning of Year</b>	<b>6,181,934</b>	<b>6,181,934</b>	<b>6,181,934</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>188,899</b>	<b>188,899</b>	<b>188,899</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$5,403,591</b>	<b>\$5,254,929</b>	<b>\$6,011,361</b>	<b>\$756,432</b>

**Mogadore Local School District**

*Statement of Fiduciary Assets and Liabilities*

*Fiduciary Funds*

*June 30, 2008*

	<u><i>Agency Fund</i></u>
<b><i>Assets</i></b>	
Equity in Pooled Cash and Investments	<u>\$46,824</u>
<i>Total Assets</i>	<u><u>\$46,824</u></u>
<b><i>Liabilities</i></b>	
Undistributed Monies	\$16,898
Due to Students	<u>29,926</u>
<i>Total Liabilities</i>	<u><u>\$46,824</u></u>



***Mogadore Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately four square miles. It is located in Summit and Portage Counties, and includes the entire Village of Mogadore and portions of Suffield Township. It is staffed by 53 non-certificated employees and 65 certificated personnel who provide services to 905 students and other community members. The School District operates three instructional buildings and one bus garage.

**Reporting Entity**

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

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

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Northeast Ohio Network for Educational Technology, 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 basic financial statements.

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

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

*Mogadore Local School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

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

*Mogadore Local School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Bond Retirement Debt Service Fund*** The bond retirement fund accounts for tax revenues collected and used to retire long term bond obligations of the School District.

***Building Capital Projects Fund*** The building fund accounts for bond proceeds and interest revenue to be used for the construction of a new high school and renovate existing buildings.

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

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

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

***Mogadore Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income and 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, rentals and fees.

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

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

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

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

*Mogadore Local School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**E. 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 appropriation 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 major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated revenues establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control set by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final certificate of estimated resources issued during fiscal year 2008.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2008.

**F. Cash and Investments**

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

During fiscal year 2008, investments were limited to repurchase agreements, federal agency instruments and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, building capital projects fund, Martha Holding Jennings grants special revenue fund and athletic and music special revenue fund during fiscal year 2008 amounted to \$343,992, \$26,682, \$226 and \$132, respectively. The general fund interest includes approximately \$1,931 assigned from other School District funds.

*Mogadore Local School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food, and supplies held for consumption and are expensed when used.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchases of textbooks and other instructional materials and creates a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District capitalization threshold is \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

***Mogadore Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Buildings Improvements	20 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 years

**K. Interfund Balances**

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

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**M. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

*Mogadore Local School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**N. Net Assets**

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

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

**O. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for property taxes and encumbrances and budget stabilization.

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

**P. Interfund Activity**

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

**Q. Estimates**

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

**R. Extraordinary and Special Items**

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



**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**S. Implementation of New Accounting Policies**

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

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

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

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

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

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 3 - Budgetary Basis of Accounting**

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

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

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

	<i>General</i>
<i>GAAP Basis</i>	\$ (1,013,373)
Net Adjustment for Revenues	586,837
Advances In	754
Net Adjustment for Expenditures	250,480
Adjustment for Encumbrances	(184,170)
<i>Budget Basis</i>	\$ (359,472)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed or 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.

***Mogadore Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 4- Deposits and Investments (Continued)**

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

Interim monies may be invested in the following securities:

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

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

**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

**Note 4- Deposits and Investments (Continued)**

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$1,457,836, exclusive of investments below. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2008, \$1,356,871 of the School District's bank balance of \$1,562,957 was exposed to custodial risk as discussed below, while \$206,086 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve bank in the name of the School District.

**Investments** As of June 30, 2008 the School District had the following investments and maturities:

<i>Standard &amp; Poor's</i>			<i>6 months</i>	<i>7 to 12</i>	<i>13 to 24</i>	<i>25 to 36</i>
<i>Rating</i>	<i>Investment Type</i>	<i>Fair Value</i>	<i>or Less</i>	<i>Months</i>	<i>Months</i>	<i>Months</i>
N/A	Repurchase Agreement	\$135,000	\$135,000	\$0	\$0	\$0
AAA	Federal Home Loan Bank	1,018,250	302,343	204,312	204,938	306,657
AAA	FFCB Discount Note	98,490	0	98,490	0	0
AAA	Fannie Mae Discount Note	988,900	499,570	489,330	0	0
AAA	Fannie Mae	1,814,191	301,782	709,191	405,594	397,624
AAA	FRE Discount Note	99,660	99,660	0	0	0
AAA	Freddie Mac	1,370,113	402,500	865,988	101,625	0
	<i>Totals</i>	<u>\$5,524,604</u>	<u>\$1,740,855</u>	<u>\$2,367,311</u>	<u>\$712,157</u>	<u>\$704,281</u>

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the School District's \$135,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The School District's investments, except for the repurchase agreement as discussed above, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned an AAAM market rating to the money market fund.

**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

**Note 4- Deposits and Investments (Continued)**

*Concentration of Credit Risk.* The School District places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2008:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Percent of Total</i>
Repurchase Agreement	\$135,000	2.44%
Federal Home Loan Bank	1,018,250	18.43%
FFCB Discount Note	98,490	1.78%
Fannie Mae Discount Note	988,900	17.90%
Fannie Mae	1,814,191	32.84%
FRE Discount Note	99,660	1.80%
Freddie Mac	1,370,113	24.81%
<i>Totals</i>	\$5,524,604	100.00%

**Note 5 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following 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 and public utility property tax revenues received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

***Mogadore Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 5 - Property Taxes (Continued)**

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the values as of December 31, 2007. Tangible personal property is currently assessed at twenty-three percent of true value for capital assets and twenty-four percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

The School District receives property taxes from 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2008, was \$246,337 and is recognized as revenue. \$200,046 was available to the general fund, \$33,218 was available to the debt service fund and \$13,073 was available to the permanent improvement fund.

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

**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

**Note 5 - Property Taxes (Continued)**

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

	<i>2007 Second Half Collections</i>		<i>2008 First Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$ 87,627,510	82.29%	\$ 89,529,930	90.29%
Public Utility	2,556,120	2.40%	1,829,640	1.85%
Tangible Personal Property	16,297,881	15.31%	7,794,704	7.86%
	\$ 106,481,511	100.00%	\$ 99,154,274	100.00%
 Tax rate per \$1,000 assessed valuation	\$ 73.37		\$ 73.54	

**Note 6 - Receivables**

Receivables at June 30, 2008, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
General Fund	\$40,000
Title I	1,139
Title II-A	190
Title V	1,803
Schoolnet	2,430
Food Service	7,732
 <i>Total Intergovernmental Receivables</i>	 \$53,294

**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

**Note 7 - Capital Assets**

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

	<i>Balance at</i> <u>6/30/2007</u>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at</i> <u>6/30/2008</u>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Construction-in-Progress	\$ 11,809,187	\$ 1,269,280	\$ 0	\$ 13,078,467
Land	98,050	0	0	98,050
<i>Total Capital Assets, not being depreciated</i>	<u>11,907,237</u>	<u>1,269,280</u>	<u>0</u>	<u>13,176,517</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,148,831	0	0	1,148,831
Buildings and Buildings Improvements	2,447,459	0	0	2,447,459
Furniture and Fixtures	1,386,241	44,940	0	1,431,181
Vehicles	497,178	17,700	0	514,878
<i>Total Capital Assets, being depreciated</i>	<u>5,479,709</u>	<u>62,640</u>	<u>0</u>	<u>5,542,349</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,110,166)	(19,647)	0	(1,129,813)
Buildings and Buildings Improvements	(1,640,301)	(37,290)	0	(1,677,591)
Furniture and Fixtures	(1,094,167)	(43,264)	0	(1,137,431)
Vehicles	(307,440)	(31,389)	0	(338,829)
<i>Total Accumulated Depreciation</i>	<u>(4,152,074)</u>	<u>(131,590)</u>	<u>0</u>	<u>(4,283,664)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>1,327,635</u>	<u>(68,950)</u>	<u>0</u>	<u>1,258,685</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 13,234,872</u>	<u>\$ 1,200,330</u>	<u>\$ 0</u>	<u>\$ 14,435,202</u>

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**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

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**Note 7 - Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	43,127
Special		1,446
Vocational		59
Support Services:		
Pupil		4,882
Instructional Staff		5,614
Administration		6,828
Fiscal		367
Operation and Maintenance of Plant		32,723
Pupil Transportation		24,929
Operation of Non-Instructional Services		2,061
Extracurricular Activities		9,554
		131,590
<i>Total Depreciation Expense</i>	<u>\$</u>	<u>131,590</u>

**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 2008, 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). Coverage is as follows:

	<i>Coverage</i>	<i>Deductible</i>
Buildings and Contents	\$16,993,121	\$500
Builders Risk	11,840,400	500
Inland Marine Coverage	86,845	25
Boiler and Machinery	20,627,982	2,500
Automobile Liability	2,000,000	100 - 500
Uninsured Motorists	2,000,000	100 - 500
Crime Insurance	5,000	25
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. There were no significant reductions in insurance coverage from the prior year in any category of risk.

***Mogadore Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 8 - Risk Management (Continued)**

For fiscal year 2008, 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 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 approximately 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 \$951.25 for family coverage and \$390.95 for single coverage per employee per month.

**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 elementary principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the amount of sick leave that may be accumulated. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

**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 Governments Health Benefits Program.

*Mogadore Local School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 10 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under forms and publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2007 the amount was 10 percent and for fiscal year 2006 the amount was 10.57 percent. The contributions to SERS for pension obligations for the fiscal years ended June 30, 2008, 2007, and 2006 were \$102,968, \$125,950 and \$115,786, respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. \$83,004 represents the unpaid contribution for fiscal year 2008, and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

***Mogadore Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 10 - Defined Benefit Pension Plans (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, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$517,762, \$485,888 and \$491,736, respectively. Contributions to the DC and Combined Plans for fiscal year 2008 were \$662 made by the School District and \$2,001 made by the plan members. 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. \$97,108 represents the unpaid contribution for fiscal year 2008, and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, there were no members of the Board of Education that have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 11 - Postemployment Benefits**

**A. School Employees Retirement System**

The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

***Mogadore Local School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 11 - Postemployment Benefits (Continued)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent, at June 30, 2007 and 2006, the health care allocation was 3.32 and 3.42 percent respectively. The District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$46,988, \$41,815 and \$59,492, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800. For the School District during fiscal year 2008 this amounted to \$76,943.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66 percent and for fiscal year 2007 the required allocation was .68 percent. The School District contributions for the fiscal years 2008 and 2007 were \$7,419 and 8,565, respectively.

**B. State Teachers Retirement System**

The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to Health Care Stabilization Fund for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for health care for fiscal years ended June 30, 2008, 2007 and 2006 were \$39,893, \$37,376 and \$37,826, respectively.

**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

**Note 12 - Capital Leases**

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$147,930. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments during fiscal year 2008 totaled \$19,745 from 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, 2008.

<i>Fiscal Year Ending June 30,</i>	<i>Amount</i>
2009	\$19,732
Less: Amount Representing Interest	(574)
<i>Present Value of Net Minimum Payments</i>	<i>\$19,158</i>

**Note 13- Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	<i>Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i>	<i>Amounts</i>
	<i>6/30/2007</i>			<i>6/30/2008</i>	<i>Due In</i>
					<i>One Year</i>
<i>Compensated Absences</i>	\$370,991	\$211,227	\$63,237	\$518,981	\$96,713
<i>Capital Leases</i>	38,903	0	19,745	19,158	19,158
 <i>Capital Improvement Bonds 3.00%</i>					
<i>to 4.375% Maturing December 1, 2031</i>	9,900,000	0	290,000	9,610,000	300,000
 <i>Capital Appreciation Bonds 4.5%</i>					
<i>Maturing December 1, 2013</i>	179,997	0	0	179,997	0
<i>Accretion on Capital Appreciation Bonds</i>	61,570	42,747	0	104,317	0
<i>Total Capital Appreciation Bonds</i>	241,567	42,747	0	284,314	0
 <i>Lease Revenue Bonds 3.55% - 5.125%</i>					
<i>Maturing December 1, 2031:</i>					
<i>Serial and Term Bonds</i>	2,000,000	0	40,000	1,960,000	50,000
<i>Premium</i>	106,523	0	4,362	102,161	0
<i>Total Lease Revenue Bonds</i>	2,106,523	0	44,362	2,062,161	50,000
 <i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$12,657,984	\$253,974	\$417,344	\$12,494,614	\$465,871

**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

**Note 13- Long-Term Obligations (Continued)**

Compensated absences will be paid from the fund from which employee's are paid, which is typically the general and food service funds. The capital leases will be paid from the general fund. The capital improvements serial bonds, capital appreciation bonds and lease revenue bonds will be repaid from the debt service fund.

During fiscal year 2006, the School District issued \$10,649,997 in general obligation bonds which include serial and capital appreciation bonds with interest rates varying from 3.0% – 4.375% for the serial bonds and 23.04% (4.5% yield) for the capital appreciation bonds. The bonds were issued to construct a new school building housing grades seven through twelve.

During fiscal year 2007, the School District issued lease revenue bonds in the amount of \$2,000,000. The bonds will mature December 1, 2031. The bonds were issued at a premium of \$109,053 which will be amortized over the life of the bonds. The interest rate range is 3.55% to 5.125%. The lease revenue bonds were issued to pay for capital improvements made to existing School District's buildings and pay for a portion of the costs to build the new school building housing grades seven through twelve.

The following is a summary of the School District's future annual principal and interest requirements to retire the general obligation bonds:

<i>Fiscal Year</i> <i>Ending June 30,</i>	<i>Capital Improvement Bonds</i>		<i>Capital Appreciation Bonds</i>		<i>Lease Revenue Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Accretion</i>	<i>Principal</i>	<i>Interest</i>
2009	\$ 300,000	\$ 393,893	\$ 0	\$ 0	\$ 50,000	\$ 92,848
2010	310,000	383,437	0	0	50,000	91,062
2011	320,000	372,287	0	0	50,000	89,262
2012	330,000	360,405	0	0	55,000	87,365
2013	25,000	353,687	97,315	222,685	55,000	85,337
2014 - 2018	1,435,000	1,648,639	82,682	237,318	310,000	391,461
2019 - 2023	2,010,000	1,280,135	0	0	390,000	308,011
2024 - 2028	2,480,000	804,617	0	0	500,000	194,745
2029 - 2033	2,400,000	215,906	0	0	500,000	53,046
<b>Total</b>	<b>\$ 9,610,000</b>	<b>\$ 5,813,006</b>	<b>\$ 179,997</b>	<b>\$ 460,003</b>	<b>\$ 1,960,000</b>	<b>\$ 1,393,137</b>

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 14 - Jointly Governed Organizations**

**A. Northeast Ohio Network for Educational Technology**

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEOnet) which is a computer consortium. NEOnet is a jointly governed organization among 17 School Districts located within the boundaries of Medina, Portage and Summit Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NEOnet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All the NEOnet revenues are generated from charges for services and state funding. To obtain financial information write NEOnet, 420 Washington Ave., Cuyahoga Falls, Ohio 44221. The Summit County Board of Education serves as the fiscal agent. NEOnet is not dependent on the School District's participation, and no equity interest exists. The School District paid \$36,939 to NEOnet during fiscal year 2008.

**B. Maplewood Joint Vocational School**

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 Maplewood Joint Vocational School, 7075 State Route 88, Ravenna, Ohio 44266.

**Note 15 - Public Entity Risk Pools**

**A. Stark County Schools Council of Government**

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 various school districts and a Workers Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Ohio School Plan**

The Ohio School Plan (Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett the insurance agency has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to The Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.



*Mogadore Local School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

**Note 15 - Public Entity Risk Pools (Continued)**

**C. Ohio School Boards Association Worker's Compensation Group**

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.

**Note 16 - Contingencies**

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 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, 2008.

**Note 17 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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.

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.

	<u>Textbooks</u>	<u>Capital Aquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set aside Cash Balance as of June 30, 2007	\$ 0	\$ 0	\$ 31,768	\$ 31,768
Current Year Set-Aside Requirement	143,450	143,450	0	286,900
Qualifying Disbursements	<u>(185,420)</u>	<u>(1,640,358)</u>	<u>0</u>	<u>(1,825,778)</u>
Total	<u>\$ (41,970)</u>	<u>\$ (1,496,908)</u>	<u>\$ 31,768</u>	<u>\$ (1,507,110)</u>
Set-Aside Carried Forward FY 2009	<u>\$ (41,970)</u>	<u>\$ 0</u>	<u>\$ 31,768</u>	<u>\$ (10,202)</u>
Set-Aside Reserve Balance as of June 30, 2008	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,768</u>	<u>\$ 31,768</u>

**Mogadore Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

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**Note 17 - Set-Asides (Continued)**

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero, this extra amount can not be carried forward into future years.

**Note 18 – Interfund Transactions and Fund Deficits**

Transfers during fiscal year 2008, consist of the following:

<i>Fund</i>	<i>Transfer In</i>	<i>Transfer Out</i>
<i>Major Governmental Funds:</i>		
General	\$ 0	\$ 48,350
Bond Retirement Fund	189,692	0
 <i>Non-major Governmental Funds</i>		
Permanent Improvement	0	189,692
Food Service	32,000	0
Uniform School Supplies	12	0
Pupil School Support	3,338	0
Athletics & Music	13,000	0
<i>Total Non-Major Governmental Funds</i>	48,350	189,692
 <i>Total All Funds</i>	\$ 238,042	\$ 238,042

The transfers made from the general fund were made to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer made from the permanent improvement fund to the bond retirement fund was made to make principal and interest payments. Transfers between governmental funds are eliminated on the governmental-wide financials. All transfers were made in compliance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The food service fund had a deficit balance of \$695 at fiscal year end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 16, 2009

To the Board of Education  
Mogadore Local School District  
1 South Cleveland Ave.  
Mogadore, Ohio 44260

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mogadore Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mogadore Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mogadore Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances that we have reported to management of Mogadore Local School District in a separate letter dated December 16, 2009.

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

*Rea & Associates, Inc.*



**Mary Taylor, CPA**  
Auditor of State

**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 2, 2010**