

MOGADORE LOCAL SCHOOL DISTRICT
Basic Financial Statements

Year Ended June 30, 2009



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, 2008 through June 30, 2009. 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, 2009

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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, 2009, 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, 2009, 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, 2009

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, 2009. 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 2009 are as follows:

- In total, net assets decreased \$542,814.
- Revenues for governmental activities totaled \$10,055,222 during 2009. Of this total, 79 percent consisted of General revenues while Program revenues accounted for the balance of 21 percent.
- Program expenses totaled \$10,598,036. Instructional expenses made up 53 percent of this total while support services accounted for 35 percent. Other expenses rounded out the remaining 12 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 project 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 2009?" 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, 2009

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 8. 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 debt service fund and building capital project 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, 2009

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 2009 compared to 2008:

Table 1
Net Assets

	<i>Governmental Activities</i>	
	2009	2008
Assets		
Current and Other Assets	\$ 9,291,375	\$ 10,915,736
Capital Assets, Net	14,381,567	14,435,202
<i>Total Assets</i>	23,672,942	25,350,938
Liabilities		
Current and Other Liabilities	3,686,534	4,537,045
Long-term Liabilities:		
Due Within One Year	447,677	465,871
Due in More than One Year	11,762,266	12,028,743
<i>Total liabilities</i>	15,896,477	17,031,659
Net assets		
Invested in Capital Assets, Net of Debt	2,978,985	2,559,030
Restricted	566,309	661,290
Unrestricted	4,231,171	5,098,959
<i>Total Net Assets</i>	\$ 7,776,465	\$ 8,319,279

Total assets decreased by \$1,677,996. The decrease can be attributed to a decrease cash and cash equivalents from expenses increasing at a greater rate than revenues.

Total liabilities decreased by \$1,135,182. 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.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$7,951,844 or 79 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 \$2,103,378 or 21 percent of total revenue.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Table 2 shows the changes in net assets and compares revenue and expenses from fiscal year 2009 to fiscal year 2008. A comparative analysis of government-wide data is presented.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 1,489,020	\$ 1,329,258
Operating Grants and Contributions	611,066	373,657
Capital Grants and Contributions	3,292	0
Total Program Revenues	<u>2,103,378</u>	<u>1,702,915</u>
General Revenues:		
Property Taxes	3,728,452	3,696,364
Grants and Entitlements	3,988,469	3,692,666
Investments Earnings	203,019	370,674
Miscellaneous	31,904	151,588
Total General Revenues	<u>7,951,844</u>	<u>7,911,292</u>
Total Revenues	<u>10,055,222</u>	<u>9,614,207</u>
Program Expenses:		
Instruction		
Regular	4,294,471	4,387,493
Special	866,422	787,589
Vocational	90,266	82,098
Student Intervention Services	287,963	252,251
Other	116,027	294,558
Support Services:		
Pupil	528,126	510,222
Instructional Staff	385,459	375,423
Board of Education	46,635	45,899
Administration	822,712	807,139
Fiscal	399,392	417,383
Business	364	397
Operation and Maintenance	1,048,536	958,320
Pupil Transportation	400,122	385,253
Central	67,992	68,836
Operating of Non-Instructional Services	310,324	293,648
Extracurricular Activities	396,803	326,515
Interest and Fiscal Charges	536,422	587,510
Total Program Expenses	<u>10,598,036</u>	<u>10,580,534</u>
Decrease in Net Assets	(542,814)	(966,327)
Net Assets Beginning of Year	<u>8,319,279</u>	<u>9,285,606</u>
Net Assets End of Year	<u>\$ 7,776,465</u>	<u>\$ 8,319,279</u>

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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 53 percent of the School Districts expense is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 35 percent. The remaining amount of program expenses, 12 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 2009 to fiscal year 2008. 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 2009</i>	<i>Net Cost of Services 2009</i>	<i>Total Cost of Services 2008</i>	<i>Net Cost of Services 2008</i>
Instruction				
Regular	\$ 4,294,471	\$ 3,109,856	\$ 4,387,493	\$ 3,404,683
Special	866,422	412,758	787,589	478,061
Vocational	90,266	77,837	82,098	82,098
Student Intervention Services	287,963	287,963	252,251	252,251
Other	116,027	116,027	294,558	294,558
Support Services:				
Pupils	528,126	488,404	510,222	452,959
Instructional Staff	385,459	372,891	375,423	372,329
Board of Education	46,635	46,635	45,899	45,899
Administration	822,712	822,712	807,139	807,139
Fiscal	399,392	394,392	417,383	412,383
Business	364	364	397	397
Operation and Maintenance	1,048,536	1,034,058	958,320	939,095
Pupil Transportation	400,122	396,830	385,253	385,253
Central	67,992	58,992	68,836	59,836
Operation of Non-Instructional Services	310,324	37,282	293,648	70,188
Extracurricular Activities	396,803	301,235	326,515	232,980
Interest and Fiscal Charges	536,422	536,422	587,510	587,510
Total	\$ 10,598,036	\$ 8,494,658	\$ 10,580,534	\$ 8,877,619

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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 38 percent of total costs, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 20 percent of all governmental expenses.

School District's Funds

Information regarding the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues (excluding other financing sources) totaled \$10,099,564 and expenditures (excluding other financing uses) totaled \$10,825,809. The general fund balance decreased by \$629,704, the bond retirement debt service fund balance increased by \$69,114 and the building capital projects fund balance decreased by \$147,394. The general fund decrease of \$629,704 was due to an increase in wages and no change in revenue.

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 2009, the School District amended its general fund budget for revenue numerous times, none significant. 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.

For the general fund, the original budget basis revenue and other financing sources estimate totaled \$8,936,219 and the final budget basis revenue and other financing sources estimate totaled \$8,841,457. The decrease can be attributed to less tax revenues. Actual revenues were less than the final budget amounts by \$705,899 due to a decrease in tax revenue and intergovernmental revenue. The original and final budget basis expenditures and other financing uses totaled \$9,684,167, as there was no change during the fiscal year.

The School District's general fund unencumbered ending cash balance totaled \$5,258,015, which was below the original budgeted amount, due to more spending during the fiscal year than was anticipated.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the School District had \$14,381,567 invested in land and improvements, buildings and improvements, furniture and fixtures, vehicles, net of accumulated depreciation. Table 4 shows fiscal 2009 values compared to 2008.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

	<i>Governmental Activities</i>	
	2009	2008
Construction in Progress	\$ 0	\$ 13,078,467
Land	98,050	98,050
Land Improvements	1,170,747	1,148,831
Buildings and Improvements	15,787,518	2,447,459
Furniture and Fixtures	1,441,703	1,431,180
Vehicles	514,878	514,878
Accumulated Depreciation	(4,631,329)	(4,283,663)
<i>Totals</i>	\$ 14,381,567	\$ 14,435,202

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

Debt

At June 30, 2009 the School District had \$11,652,427 of bonded debt outstanding. Table 5 below summarizes the School District's debt outstanding.

Table 5
Outstanding Debt at June 30, 2009

	2009	2008
School Improvement Bonds	\$ 9,310,000	\$ 9,610,000
Capital Appreciation Bonds	179,997	179,997
Accretion on Capital Appreciation Bonds	154,631	104,317
Lease Revenue Bonds	1,910,000	1,960,000
Unamortized Premium on Lease Revenue Bonds	97,799	102,161
<i>Totals</i>	\$ 11,652,427	\$ 11,956,475

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, 2009

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..." With the recent passage of HB1 in 2009, a new evidence based funding model is being phased in by the State. It is too early in the process to see if the State will be able to fund this bill, due to the considerable budget constraints that are facing our State.

The School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding.

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, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$5,960,850
Cash in Segregated Accounts	710
Inventory Held for Resale	12,793
Intergovernmental Receivable	12,054
Taxes Receivable	3,209,754
Deferred Charges	95,214
Non-Depreciable Capital Assets	98,050
Depreciable Capital Assets, net	14,283,517
<i>Total Assets</i>	<u>23,672,942</u>
Liabilities	
Accounts Payable	61,808
Accrued Wages and Benefits	812,071
Intergovernmental Payable	235,021
Accrued Interest Payable	40,066
Deferred Revenue	2,537,568
Long-Term Liabilities:	
Due Within One Year	447,677
Due in More Than One Year	11,762,266
<i>Total Liabilities</i>	<u>15,896,477</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,978,985
Restricted for Debt Service	192,363
Restricted for Capital Outlay	259,468
Restricted for Other Purposes	114,478
Unrestricted	4,231,171
<i>Total Net Assets</i>	<u>\$7,776,465</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	<i>Program Revenues</i>				<i>Net (Expenses) Revenue and Changes in Net Assets</i>
	<i>Expenses</i>	<i>Charges for Services and Sales</i>	<i>Operating Grants, Contributions and Interest</i>		
Governmental Activities					
Instruction:					
Regular	\$4,294,471	\$1,143,883	\$40,732	\$0	(\$3,109,856)
Special	866,422	19,983	433,681	0	(412,758)
Vocational	90,266	0	12,429	0	(77,837)
Student Intervention Services	287,963	0	0	0	(287,963)
Other	116,027	0	0	0	(116,027)
Support Services:					
Pupils	528,126	36,193	3,529	0	(488,404)
Instructional Staff	385,459	6,132	6,436	0	(372,891)
Board of Education	46,635	0	0	0	(46,635)
Administration	822,712	0	0	0	(822,712)
Fiscal	399,392	0	5,000	0	(394,392)
Business	364	0	0	0	(364)
Operation and Maintenance of Plant	1,048,536	14,478	0	0	(1,034,058)
Pupil Transportation	400,122	0	0	3,292	(396,830)
Central	67,992	0	9,000	0	(58,992)
Operation of Non-Instructional Services:					
Food Service Operations	308,263	185,518	87,524	0	(35,221)
Community Services	2,061	0	0	0	(2,061)
Extracurricular Activities	396,803	82,833	12,735	0	(301,235)
Interest and Fiscal Charges	536,422	0	0	0	(536,422)
Totals	\$10,598,036	\$1,489,020	\$611,066	\$3,292	(8,494,658)

General Revenues

Property Taxes Levied for:	
General Purposes	2,971,970
Capital Purposes	201,265
Debt Service	555,217
Grants and Entitlements not Restricted to Specific Programs	3,988,469
Investment Earnings	203,019
Miscellaneous	31,904
Total General Revenues	7,951,844
<i>Change in Net Assets</i>	<i>(542,814)</i>
<i>Net Assets Beginning of Year</i>	<i>8,319,279</i>
<i>Net Assets End of Year</i>	<i>\$7,776,465</i>

See accompanying notes to the basic financial statements.

Mogadore Local School District

*Balance Sheet
Governmental Funds
June 30, 2009*

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$5,407,148	\$148,626	\$10,972	\$362,336	\$5,929,082
Cash in Segregated Accounts	0	0	0	710	710
Inventory Held for Resale	0	0	0	12,793	12,793
Interfund Receivable	8,000	0	0	0	8,000
Intergovernmental Receivable	9,431	0	0	2,623	12,054
Taxes Receivable	2,505,329	519,582	0	184,843	3,209,754
Restricted Assets:					
Equity in Pooled Cash and Investments	31,768	0	0	0	31,768
Total Assets	\$ 7,961,676	\$ 668,208	\$ 10,972	\$ 563,305	\$ 9,204,161
Liabilities					
Accounts Payable	50,430	0	10,119	1,259	61,808
Accrued Wages and Benefits	791,230	0	0	20,841	812,071
Intergovernmental Payable	229,341	0	0	5,680	235,021
Interfund Payable	0	0	0	8,000	8,000
Deferred Revenue	2,149,604	458,952	0	164,731	2,773,287
Total Liabilities	3,220,605	458,952	10,119	200,511	3,890,187
Fund Balances					
Reserved for Encumbrances	96,902	0	0	57,171	154,073
Reserved for Property Taxes	365,156	60,630	0	22,735	448,521
Reserved for Budget Stabilization	31,768	0	0	0	31,768
Unreserved, Undesignated, Reported in:					
General Fund	4,247,245	0	0	0	4,247,245
Special Revenue Funds	0	0	0	107,822	107,822
Debt Service Fund	0	148,626	0	0	148,626
Capital Projects Funds	0	0	853	175,066	175,919
Total Fund Balances	4,741,071	209,256	853	362,794	5,313,974
Total Liabilities and Fund Balances	\$7,961,676	\$668,208	\$10,972	\$563,305	\$9,204,161

See accompanying notes to the basic financial statements.

Mogadore Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009*

Total Governmental Fund Balances \$5,313,974

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 14,381,567

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds:

Property Taxes	\$223,665	
Grants	2,623	
Excess costs	9,431	
<i>Total</i>		235,719

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. 95,214

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. (40,066)

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	(9,310,000)	
Accreted Bonds	(154,631)	
Capital Appreciation Bonds	(179,997)	
Compensated Absences	(557,516)	
Lease Revenue Bonds	(1,910,000)	
Premium on Lease Revenue Bonds	(97,799)	
<i>Total</i>		(12,209,943)

Net Assets of Governmental Activities \$7,776,465

See accompanying notes to the basic financial statements.

Mogadore Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>Building Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
Taxes	\$2,986,841	\$552,820	\$0	\$202,055	\$3,741,716
Intergovernmental	3,896,970	222,606	0	457,745	4,577,321
Interest	203,019	0	0	50	203,069
Tuition and Fees	1,179,690	0	0	23,536	1,203,226
Extracurricular Activities	0	0	0	115,703	115,703
Gifts and Donations	14,478	0	0	26,629	41,107
Customer Sales and Services	0	0	0	185,518	185,518
Miscellaneous	5,404	0	0	26,500	31,904
Total Revenues	8,286,402	775,426	0	1,037,736	10,099,564
Expenditures					
Current:					
Instruction:					
Regular	4,114,014	0	0	101,101	4,215,115
Special	640,805	0	0	223,556	864,361
Vocational	89,906	0	0	0	89,906
Student Intervention Services	287,963	0	0	0	287,963
Other	115,787	0	0	0	115,787
Support Services:					
Pupils	483,551	0	0	44,404	527,955
Instructional Staff	358,828	0	0	20,270	379,098
Board of Education	46,635	0	0	0	46,635
Administration	785,609	0	0	0	785,609
Fiscal	373,084	12,529	0	9,901	395,514
Business	364	0	0	0	364
Operation and Maintenance of Plant	897,625	0	0	0	897,625
Pupil Transportation	380,196	0	0	9,000	389,196
Central	58,992	0	0	0	58,992
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	307,741	307,741
Extracurricular Activities	210,820	0	0	115,689	326,509
Capital Outlay	0	0	147,394	133,680	281,074
Debt Service:					
Principal	19,158	350,000	0	0	369,158
Interest and Fiscal Charges	574	486,633	0	0	487,207
Total Expenditures	8,863,911	849,162	147,394	965,342	10,825,809
Excess of Revenues (Under) Expenditures	(577,509)	(73,736)	(147,394)	72,394	(726,245)
Other Financing Sources (Uses)					
Transfers In	0	142,850	0	58,395	201,245
Transfers Out	(52,195)	0	0	(149,050)	(201,245)
Total Other Financing Sources (Uses)	(52,195)	142,850	0	(90,655)	0
Net Change in Fund Balances	(629,704)	69,114	(147,394)	(18,261)	(726,245)
Fund Balances Beginning of Year	5,370,775	140,142	148,247	381,055	6,040,219
Fund Balances End of Year	\$4,741,071	\$209,256	\$853	\$362,794	\$5,313,974

See accompanying notes to the basic financial statements.

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, 2009*

Net Change in Fund Balances - Total Governmental Funds (\$726,245)

*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	\$343,024	
Depreciation	(396,659)	
<i>Total</i>		(53,635)

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

Delinquent Property Taxes	(13,264)	
Grants	(509)	
Excess Costs	(30,569)	
<i>Total</i>		(44,342)

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	350,000	
Capital Lease Payments	19,158	
<i>Total</i>		369,158

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	(50,314)	
<i>Total</i>		(50,199)

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	984	
Compensated Absences	(38,535)	
<i>Total</i>		(37,551)

Changes in Net Assets of Governmental Activities (\$542,814)

See accompanying notes to the basic financial statements.

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, 2009

	<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>
Revenues				
Property Taxes	\$3,185,345	\$3,145,736	\$2,821,731	(\$324,005)
Intergovernmental	4,435,374	4,380,221	3,896,970	(483,251)
Interest	275,000	275,000	207,172	(67,828)
Tuition and Fees	1,021,000	1,021,000	1,179,690	158,690
Gifts and Donations	5,000	5,000	14,478	9,478
Miscellaneous	2,000	2,000	3,017	1,017
Total Revenues	8,923,719	8,828,957	8,123,058	(705,899)
Expenditures				
Current:				
Instruction:				
Regular	4,131,671	4,131,986	4,058,071	73,915
Special	618,168	613,668	636,811	(23,143)
Vocational	88,709	88,709	88,698	11
Student Intervention Services	420,979	419,979	292,253	127,726
Other	223,000	223,000	179,879	43,121
Support Services:				
Pupils	509,144	517,384	493,512	23,872
Instructional Staff	428,004	415,464	367,636	47,828
Board of Education	64,334	60,334	48,695	11,639
Administration	802,573	802,258	786,570	15,688
Fiscal	398,113	416,413	375,451	40,962
Business	500	500	364	136
Operation and Maintenance of Plant	1,094,267	1,131,267	991,936	139,331
Pupil Transportation	457,156	456,656	404,995	51,661
Central	119,617	103,617	60,462	43,155
Extracurricular Activities	221,932	222,432	214,979	7,453
Total Expenditures	9,578,167	9,603,667	9,000,312	603,355
Excess of Revenues				
Under Expenditures	(654,448)	(774,710)	(877,254)	(102,544)
Other Financing Sources (Uses)				
Transfers In	500	500	0	(500)
Proceeds from Sale of Capital Assets	2,000	2,000	0	(2,000)
Refund of Prior Year Expenditures	10,000	10,000	2,387	(7,613)
Transfers Out	(95,000)	(68,500)	(52,195)	16,305
Advances Out	(6,000)	(8,000)	(8,000)	0
Refund of Prior Year Receipts	(5,000)	(4,000)	(2,430)	1,570
Total Other Financing Uses	(93,500)	(68,000)	(60,238)	7,762
Net Change in Fund Balance	(747,948)	(842,710)	(937,492)	(94,782)
Fund Balance Beginning of Year	6,011,361	6,011,361	6,011,361	0
Prior Year Encumbrances Appropriated	184,146	184,146	184,146	0
Fund Balance End of Year	\$5,447,559	\$5,352,797	\$5,258,015	(\$94,782)

See accompanying notes to the basic financial statements.

Mogadore Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

	<u><i>Agency Fund</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Investments	\$ 48,135
	<hr/> <hr/>
<i>Liabilities</i>	
Accounts Payable	\$ 141
Due to Students	47,994
	<hr/>
<i>Total Liabilities</i>	\$ 48,135
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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 56 non-certificated employees and 65 certificated personnel who provide services to 756 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, the Stark County Schools Council of Government Health Benefits Program and the Ohio School Plan. These organizations are presented in Notes 15 and 16 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.

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.

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. The School District has no trust funds. 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. Private purpose trust funds are 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.

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 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred 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, 2009, but which were levied to finance fiscal year 2010 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 intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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 2009.

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 2009.

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 2009, 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 and Martha Holding Jennings grants special revenue fund during fiscal year 2009 amounted to \$203,019 and \$50, respectively. The general fund interest includes \$18,876 assigned from other School District funds.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

G. 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.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside as a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

I. 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.

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 Building Improvements	20 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 years

Note 2 - Summary of Significant Accounting Policies (Continued)

J. 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.

K. Compensated Absences

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

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

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

L. 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

M. 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

N. 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, 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.

O. 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.

P. 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.

Q. 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 2009.

R. Changes in Accounting Principles

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*", GASB Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*".

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 2 - Summary of Significant Accounting Policies (Continued)

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

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

NOTE 3 – Accountability

Deficit fund balances at June 30, 2009 including the following individual fund deficits:

<u>Non-Major Funds</u>		
Food Service Fund	\$	2,894
Title VI-B		8,183

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

Note 4 - Budgetary Basis of Accounting

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

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

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 4 - Budgetary Basis of Accounting (Continued)

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>	\$ (629,704)
Net Adjustment for Revenues	(160,957)
Net Adjustment for Expenditures	2,491
Advances Out	(8,000)
Adjustment for Encumbrances	(141,322)
<i>Budget Basis</i>	<u>\$ (937,492)</u>

Note 5- Deposits and Investments

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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.

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;

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 5- Deposits and Investments (Continued)

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.

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$224,576, exclusive of investments below. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2009, \$32,249 of the School District's bank balance of \$284,056 was exposed to custodial risk as discussed below, while \$251,807 was covered by Federal Deposit Insurance Corporation.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 5- Deposits and Investments (Continued)

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, 2009 the School District had the following investments and maturities:

Standard & Poor's Rating	Investment Type	Fair Value	Investment Maturities				
			6 months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 60 Months
AAA	Repurchase Agreement	\$590,000	\$590,000	\$0	\$0	\$0	\$0
AAA	Federal Home Loan Bank	1,500,394	202,000	0	518,408	362,642	417,344
AAA	Federal Home Loan Discount Note	400,000	400,000	0	0	0	0
AAA	Federal Farm Credit Banks Cons	200,812	0	0	0	0	200,812
AAA	Federal Home Loan Mortgage	403,534	0	0	302,628	100,906	0
AAA	FNM Discount Note	199,980	199,980	0	0	0	0
AAA	Fannie Mae Discount Note	99,920	99,920	0	0	0	0
AAA	Fannie Mae	1,885,770	614,625	661,362	0	0	609,783
AAA	Freddie Mac	504,709	101,594	0	0	99,625	303,490
	<i>Totals</i>	<u>\$5,785,119</u>	<u>\$2,208,119</u>	<u>\$661,362</u>	<u>\$821,036</u>	<u>\$563,173</u>	<u>\$1,531,429</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 \$590,000 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.

Credit Risk The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated Aaa by Moody's Investor Services. The District has no investment policy that would further limit its investment choices. 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, 2009*

Note 5 - 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, 2009:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Percent of Total</i>
Repurchase Agreement	\$ 590,000	10.20%
Federal Home Loan Bank	1,500,394	25.94%
Federal Home Loan Discount Note	400,000	6.91%
Federal Farm Credit Banks Cons	200,812	3.47%
Federal Home Loan Mortgage	403,534	6.98%
FNM Discount Note	199,980	3.46%
Fannie Mae Discount Note	99,920	1.73%
Fannie Mae	1,885,770	32.60%
Freddie Mac	504,709	8.71%
<i>Totals</i>	\$ 5,785,119	100.00%

Note 6 - 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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2008, were levied after April 1, 2008 and are collected in 2009 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, 2009*

Note 6 - Property Taxes (Continued)

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the values as of December 31, 2008. 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, 2009, are available to finance fiscal year 2009 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, 2009 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, 2009, was \$448,521 and is recognized as revenue. \$365,156 was available to the general fund, \$60,630 was available to the bond retirement fund and \$22,735 was available to the permanent improvement fund.

On the 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, 2009*

Note 6 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2009 taxes were collected are:

	<i>2008 Second Half Collections</i>		<i>2009 First Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$ 89,529,930	90.29%	\$ 88,273,730	97.72%
Public Utility	1,829,640	1.85%	1,840,430	1.26%
Tangible Personal Property	7,794,704	7.86%	223,811	1.02%
	\$ 99,154,274	100.00%	\$ 90,337,971	100.00%
 Tax rate per \$1,000 assessed valuation	 \$ 73.54		 \$ 73.68	

Note 7 - Receivables

Receivables at June 30, 2009, consisted of property taxes, interfund 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	\$ 9,431
Title VI	555
Title IV-A	1,389
Title VI-R	679
 <i>Total Intergovernmental Receivables</i>	 \$ 12,054

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<i>Balance at 6/30/2008</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/2009</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 98,050	\$ 0	\$ 0	\$ 98,050
Construction-in-Progress	13,078,467	261,592	13,340,059	0
<i>Total Capital Assets, not being depreciated</i>	<u>13,176,517</u>	<u>261,592</u>	<u>13,340,059</u>	<u>98,050</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,148,831	21,916	0	1,170,747
Buildings and Building Improvements	2,447,459	13,340,059	0	15,787,518
Furniture and Fixtures	1,431,181	59,516	48,994	1,441,703
Vehicles	514,878	0	0	514,878
<i>Total Capital Assets, being depreciated</i>	<u>5,542,349</u>	<u>13,421,491</u>	<u>48,994</u>	<u>18,914,846</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,129,813)	(11,246)	0	(1,141,059)
Buildings and Building Improvements	(1,677,591)	(304,091)	0	(1,981,682)
Furniture and Fixtures	(1,137,431)	(50,614)	(48,994)	(1,139,051)
Vehicles	(338,829)	(30,708)	0	(369,537)
<i>Total Accumulated Depreciation</i>	<u>(4,283,664)</u>	<u>(396,659)</u>	<u>(48,994)</u>	<u>(4,631,329)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>1,258,685</u>	<u>13,024,832</u>	<u>0</u>	<u>14,283,517</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 14,435,202</u>	<u>\$ 13,286,424</u>	<u>\$ 13,340,059</u>	<u>\$ 14,381,567</u>

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*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 8 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 122,199
Special	12,017
Vocational	59
Support Services:	
Pupil	5,388
Instructional Staff	3,370
Administration	12,731
Fiscal	187
Operation and Maintenance of Plant	143,104
Pupil Transportation	24,603
Operation of Non-Instructional Services	2,061
Extracurricular Activities	70,940
	\$ 396,659
<i>Total Depreciation Expense</i>	<i>\$ 396,659</i>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, 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.

Note 9 - Risk Management (Continued)

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (G.P.), an insurance purchasing pool (Note 16). 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 \$1,161.50 for family coverage and \$477.32 for single coverage per employee per month.

Note 10 - 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.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple employer 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, 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 under Employers/Audit Resources.

Funding Policy - 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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$122,530, \$102,181 and \$125,950, respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Note 11 - Defined Benefit Pension Plans (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$552,693, \$517,762 and \$485,888, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$4,345 made by the School District and \$2,351 made by the plan members.

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, 2009, 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 12 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes 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 both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Note 12 - Postemployment Benefits (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$56,075, \$46,988 and \$41,815, respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$10,110, \$7,419 and \$8,565, respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description – 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 or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes 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 monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$42,515, \$39,893 and \$37,376, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 13- Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	<i>Balance</i> <i>6/30/2008</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>6/30/2009</i>	<i>Amounts</i> <i>Due In</i> <i>One Year</i>
<i>Capital Improvement Bonds 3.00%</i> <i>to 4.375% Maturing December 1, 2031</i>	\$ 9,610,000	\$ 0	\$ 300,000	\$ 9,310,000	\$ 310,000
<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>	104,317	50,314	0	154,631	0
<i>Total Capital Appreciation Bonds</i>	284,314	50,314	0	334,628	0
<i>Lease Revenue Bonds 3.55% - 5.125%</i> <i>Maturing December 1, 2031:</i>					
<i>Serial and Term Bonds</i>	1,960,000	0	50,000	1,910,000	50,000
<i>Premium</i>	102,161	0	4,362	97,799	0
<i>Total Lease Revenue Bonds</i>	2,062,161	0	54,362	2,007,799	50,000
<i>Compensated Absences</i>	518,981	140,134	101,599	557,516	87,677
<i>Capital Leases</i>	19,158	0	19,158	0	0
<i>Total Governmental Activities</i> <i>Long-Term Liabilities</i>	\$ 12,494,614	\$ 190,448	\$ 475,119	\$ 12,209,943	\$ 447,677

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 2008, 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.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 13- Long-Term Obligations (Continued)

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 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>
2010	\$ 310,000	\$ 383,353	\$ 0	\$ 0	\$ 50,000	\$ 91,062
2011	320,000	372,213	0	0	50,000	89,262
2012	330,000	360,346	97,315	222,685	55,000	87,365
2013	25,000	353,639	82,682	237,318	55,000	85,337
2014	25,000	352,652	0	0	60,000	83,181
2015-2019	1,780,000	1,584,305	0	0	320,000	377,723
2020-2024	2,095,000	1,194,655	0	0	410,000	287,512
2025-2029	2,585,000	694,463	0	0	525,000	168,485
2030-2033	1,840,000	123,156	0	0	385,000	30,366
Total	<u>\$ 9,310,000</u>	<u>\$ 5,418,782</u>	<u>\$ 179,997</u>	<u>\$ 460,003</u>	<u>\$ 1,910,000</u>	<u>\$ 1,300,293</u>

<i>Fiscal Year Ending June 30,</i>	<i>Total</i>	
	<i>Principal</i>	<i>Interest/Accretion</i>
2010	\$ 360,000	\$ 474,415
2011	370,000	461,475
2012	482,315	670,396
2013	162,682	676,294
2014	85,000	435,833
2015-2019	2,100,000	1,962,028
2020-2024	2,505,000	1,482,167
2025-2029	3,110,000	862,948
2030-2033	2,225,000	153,522
Total	<u>\$ 11,399,997</u>	<u>\$ 7,179,078</u>

Note 14- Capital Leases

In prior years, the School District entered into capitalized leases for phone equipment and copiers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership of the lessee.

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$147,930. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2009 totaled \$19,158 from the general fund. The leases were paid in full at June 30, 2009.

Note 15 - 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 \$38,645 to NEOnet during fiscal year 2009.

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 16 - 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, 2009*

Note 16 - 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 17 - 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, 2009.

Note 18 - 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, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-Aside Reserve Balance as of June 30, 2008	\$ (41,970)	\$ 0	\$ 31,768	\$ (10,202)
Current Year Set-Aside Requirement	147,417	147,417	0	294,834
Qualifying Disbursements	(172,896)	(163,035)	0	(335,931)
Total	<u>\$ (67,449)</u>	<u>\$ (15,618)</u>	<u>\$ 31,768</u>	<u>\$ (51,299)</u>
Set-Aside Balance Carried Forward FY 2010	<u>\$ (67,449)</u>	<u>\$ 0</u>	<u>\$ 31,768</u>	<u>\$ (35,681)</u>
Set-Aside Reserve Balance as of June 30, 2009	<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, 2009*

Note 18 - Set-Asides (Continued)

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement in future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The set-aside amount of \$31,768 is reported as restricted cash and cash equivalents in the general fund.

Note 19 – Interfund Activity

A. Interfund Balances

As of June 30, 2009, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

	<u>Receivable</u>	<u>Payable</u>
Fund:		
General	\$ 8,000	\$ 0
Other Governmental:		
Title VI-B	<u>0</u>	<u>8,000</u>
Totals	<u><u>\$ 8,000</u></u>	<u><u>\$ 8,000</u></u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the Statement of Net Assets.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 19 – Interfund Activity (Continued)

B. Interfund Transfers

Transfers during June 30, 2009, consist of the following:

<i>Fund</i>	<i>Transfers In</i>	<i>Transfers Out</i>
<i>Major Governmental Funds:</i>		
General	\$ 0	\$ 52,195
Bond Retirement Fund	142,850	0
<i>Non-major Governmental Funds</i>		
Permanent Improvement	0	142,850
Food Service	32,500	0
Uniform School Supplies	575	0
Public School Support	8,620	0
Athletics & Music	16,700	6,200
<i>Total Non-Major Governmental Funds</i>	58,395	149,050
<i>Total All Funds</i>	\$ 201,245	\$ 201,245

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.



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, 2009, 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.



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

December 16, 2009

Mogadore Local School District
1 S. Cleveland Avenue
Mogadore, Ohio 44260

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Mogadore Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. As of June 30, 2009 the School District did not have an anti-harassment policy in accordance with Ohio Rev. Code , however, the policy was adopted on December 15, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;

- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these 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**