



Dave Yost · Auditor of State

**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund	19
Statement of Fiduciary Net Position Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Position Private Purpose Trust Fund	21
Notes to the Basic Financial Statements	22
Required Supplementary Information:	
Schedule of the School District's Proportionate Share Of the Net Pension Liability	56
Schedule of School District Contributions	58
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	61

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mogadore Local School District, Summit County, Ohio, (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 Mogadore Local School District, Summit County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 24, 2017

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The discussion and analysis of the Mogadore Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position increased \$1,233,576 from fiscal year 2014.
- Capital assets decreased \$275,341 during fiscal year 2015 from depreciation exceeding acquisitions.
- During the fiscal year, outstanding debt decreased from \$10,465,005 to \$10,005,711 due to principal payments made by the School District.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by \$14,462,994.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and debt service fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 21 and 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	Restated 2015	2014
Assets		
Current and Other Assets	\$ 7,008,204	\$ 6,009,270
Capital Assets	<u>12,483,145</u>	<u>12,758,486</u>
<i>Total Assets</i>	<u>19,491,349</u>	<u>18,767,756</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	286,416	303,264
Pension	<u>964,224</u>	<u>865,404</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,250,640</u>	<u>1,168,668</u>
Liabilities		
Other Liabilities	925,151	962,761
Long-Term Liabilities:		
Due Within One Year	628,921	604,639
Due in More Than One Year:		
Net Pension Liability	12,895,903	15,328,398
Other Amounts	<u>9,938,740</u>	<u>10,411,649</u>
<i>Total Liabilities</i>	<u>24,388,715</u>	<u>27,307,447</u>
Deferred Inflows of Resources		
Property Taxes	3,245,483	3,094,086
Pension	<u>2,339,324</u>	<u>0</u>
<i>Total Deferred Inflows of Resources</i>	<u>5,584,807</u>	<u>3,094,086</u>
Net Position		
Net Investment in Capital Assets	2,939,992	2,703,234
Restricted	<u>796,686</u>	<u>555,265</u>
Unrestricted	<u>(12,968,211)</u>	<u>(13,723,608)</u>
<i>Total Net Position</i>	<u>\$ (9,231,533)</u>	<u>\$ (10,465,109)</u>

Mogadore Local School District

Summit County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

During fiscal year 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$3,997,885 to a deficit of \$10,465,109.

At year end, capital assets represented 64 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets was \$2,939,992 at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$796,686 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$12,968,211, primarily caused by the implementation of GASB 68.

Current and other assets increased \$998,934 partially due to an increase in taxes receivable as collections from the levy that passed in May 2015 will begin in fiscal year 2016 in addition to an increase in accounts receivable from a refund received by the bank in July 2016 related to fiscal year 2013. Cash also increased from revenues outpacing expenditures. Long-term liabilities decreased \$2,881,122 from fiscal year 2014 due to a decrease in net pension liability. Deferred inflows of resources related to pension increased \$2,339,324 due to the implementation of GASB 68.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,086,887	\$ 1,969,671
Operating Grants	852,930	680,846
<i>Total Program Revenues</i>	<u>2,939,817</u>	<u>2,650,517</u>
<i>General Revenues:</i>		
Property Taxes	3,966,714	3,848,901
Grants and Entitlements Not Restricted	4,314,334	4,164,593
Other	373,225	31,219
<i>Total General Revenues</i>	<u>8,654,273</u>	<u>8,044,713</u>
<i>Total Revenues</i>	<u>11,594,090</u>	<u>10,695,230</u>
	(continued)	

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	Governmental Activities	
	2015	2014
<i>Program Expenses</i>		
Instruction:		
Regular	4,461,523	4,600,601
Special	1,019,591	1,012,919
Vocational	103,953	105,328
Student Intervention Services	430,334	443,555
Other	193,182	190,529
Support Services:		
Pupils	492,171	451,929
Instructional Staff	305,843	326,321
Board of Education	43,302	62,020
Administration	699,996	752,665
Fiscal	344,632	343,241
Business	767	350
Operation and Maintenance of Plant	873,874	930,272
Pupil Transportation	272,963	357,262
Central	60,107	23,515
Operation of Non-Instructional Services:		
Food Service Operations	290,718	317,076
Extracurricular Activities	439,140	420,466
Debt Service:		
Interest and Fiscal Charges	<u>328,418</u>	<u>353,036</u>
<i>Total Expenses</i>	<u>10,360,514</u>	<u>10,691,085</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 1,233,576</u>	<u>\$ 4,145</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$865,404 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$650,367. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 10,360,514
Pension expense under GASB 68	(650,367)
2015 contractually required contribution	<u>842,358</u>
Adjusted 2015 program expenses	10,552,505
Total 2014 program expenses under GASB 27	<u>10,691,085</u>
Decrease in program expenses not related pension	<u>\$ (138,580)</u>

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Program revenues showed an increase of \$289,300 from fiscal year 2014, due in part to increases in tuition and special education funding. Other revenue increased \$342,006 due to a refund from a prior year bond refunding of over \$174,000 in addition to workers compensation and other refunds received in fiscal year 2015.

Total expenses, not related to pension, decreased \$138,580 from fiscal year 2014.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 4,461,523	\$ 4,600,601	\$ 2,760,177	\$ 3,022,955
Special	1,019,591	1,012,919	283,802	444,318
Vocational	103,953	105,328	86,894	94,317
Student Intervention Services	430,334	443,555	430,334	443,555
Other	193,182	190,529	193,182	190,529
Support Services:				
Pupils	492,171	451,929	481,810	450,529
Instructional Staff	305,843	326,321	305,843	308,511
Board of Education	43,302	62,020	43,302	62,020
Administration	699,996	752,665	699,996	752,665
Fiscal	344,632	343,241	344,632	343,241
Business	767	350	767	350
Operation and Maintenance of Plant	873,874	930,272	873,874	930,272
Pupil Transportation	272,963	357,262	239,475	346,777
Central	60,107	23,515	57,450	23,515
Operation of Non-Instructional Services:				
Food Service Operations	290,718	317,076	39,162	37,602
Extracurricular Activities	439,140	420,466	251,579	236,376
Debt Service:				
Interest and Fiscal Charges	328,418	353,036	328,418	353,036
<i>Total Expenses</i>	<u>\$ 10,360,514</u>	<u>\$ 10,691,085</u>	<u>\$ 7,420,697</u>	<u>\$ 8,040,568</u>

The dependence upon general revenues for governmental activities is apparent. Nearly 72 percent of governmental activities are supported through taxes and other general revenues; such revenues are 74 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Governmental Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,205,601 and expenditures of \$10,709,918 for fiscal year 2015. The net change in fund balances for the fiscal year was an increase of \$495,683 for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$312,459. An increase in tuition and State foundation funding along with workers' compensation and other refunds account for most of this increase.

The fund balance of the debt service fund increased \$197,368. This increase was primarily caused by a refund for overpayment to escrow agent related to a prior year debt refunding.

General Fund Budgeting Highlights

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

The School District uses site-based budgeting. Budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue of \$9,325,534 was \$87,014 lower than the final budget basis revenue of \$9,412,548. The final budgeted revenues reported no changes from the original budget.

Actual budget basis expenditures of \$9,209,104 were \$303,582 lower than the final expenditure appropriations of \$9,512,686 with an overestimation of regular instruction and pupil transportation making up most of the difference. The final expenditure appropriations reported no changes from original budget.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$12,483,145 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

Table 4
Capital Assets at June 30

	Governmental Activities	
	2015	2014
Land	\$ 183,353	\$ 183,353
Land Improvements	1,189,672	1,189,672
Buildings and Improvements	15,816,354	15,816,354
Furniture and Equipment	1,487,258	1,444,080
Vehicles	524,578	514,878
Accumulated Depreciation	<u>(6,718,070)</u>	<u>(6,389,851)</u>
<i>Totals</i>	<u>\$ 12,483,145</u>	<u>\$ 12,758,486</u>

The \$275,341 decrease in capital assets was attributable to depreciation expense exceeding current year acquisitions. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2015, the School District had \$10,005,711 in debt outstanding. See Note 13 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
2005 Capital Improvement Bonds	\$ 30,000	\$ 60,000
Lease Revenue Bonds	1,580,000	1,640,000
Unamortized Premium on Lease Revenue Bonds	71,627	75,989
2012 Refunding Bonds	7,250,000	7,660,000
2012 Capital Appreciation Bonds	479,997	479,997
Accretion on 2012 Capital Appreciation Bonds	176,142	97,489
Refunding Premium	<u>417,945</u>	<u>442,530</u>
<i>Totals</i>	<u>\$ 10,005,711</u>	<u>\$ 10,456,005</u>

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Current Issues

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

The financial future of the School District, due to the passage of the levy and additional State funds, looks much better. The School District expects to be solvent for the next 4 to 7 years.

Contacting the School District's Financial Management

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

Mogadore Local School District

Summit County, Ohio

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 2,467,916
Cash and Cash Equivalents in Segregated Accounts	835
Receivables:	
Accounts	174,894
Intergovernmental	143,021
Property Taxes	4,221,538
Nondepreciable Capital Assets	183,353
Depreciable Capital Assets (Net)	<u>12,299,792</u>
<i>Total Assets</i>	<u>19,491,349</u>
Deferred Outflows of Resources	
Deferred Charges on Debt Refunding	286,416
Pension	<u>964,224</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,250,640</u>
Liabilities	
Accounts Payable	77,082
Accrued Wages and Benefits	638,257
Intergovernmental Payable	155,819
Matured Compensated Absences Payable	32,577
Accrued Interest Payable	21,416
Long Term Liabilities:	
Due Within One Year	628,921
Due In More Than One Year:	
Net Pension Liability (See Note 11)	12,895,903
Other Amounts Due in More Than One Year	<u>9,938,740</u>
<i>Total Liabilities</i>	<u>24,388,715</u>
Deferred Inflows of Resources	
Property Taxes Levied for the Next Fiscal Year	3,245,483
Pension	<u>2,339,324</u>
<i>Total Deferred Inflows of Resources</i>	<u>5,584,807</u>
Net Position	
Net Investment in Capital Assets	2,939,992
Restricted For:	
Capital Outlay	241,974
Debt Service	436,080
Set Asides	31,768
Other Purposes	86,864
Unrestricted	<u>(12,968,211)</u>
<i>Total Net Position</i>	<u>\$ (9,231,533)</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 4,461,523	\$ 1,686,334	\$ 15,012	\$ (2,760,177)	
Special	1,019,591	92,541	643,248	(283,802)	
Vocational	103,953	0	17,059	(86,894)	
Student Intervention Services	430,334	0	0	(430,334)	
Other	193,182	0	0	(193,182)	
Support Services:					
Pupils	492,171	9,202	1,159	(481,810)	
Instructional Staff	305,843	0	0	(305,843)	
Board of Education	43,302	0	0	(43,302)	
Administration	699,996	0	0	(699,996)	
Fiscal	344,632	0	0	(344,632)	
Business	767	0	0	(767)	
Operation and Maintenance of Plant	873,874	0	0	(873,874)	
Pupil Transportation	272,963	0	33,488	(239,475)	
Central	60,107	0	2,657	(57,450)	
Operation of Non-Instructional Services:					
Food Service Operations	290,718	117,275	134,281	(39,162)	
Extracurricular Activities	439,140	181,535	6,026	(251,579)	
Debt Service:					
Interest and Fiscal Charges	328,418	0	0	(328,418)	
<i>Total</i>	<u>\$ 10,360,514</u>	<u>\$ 2,086,887</u>	<u>\$ 852,930</u>	<u>(7,420,697)</u>	

General Revenues

Property Taxes Levied for:

General Purposes	3,298,264
Debt Service	466,975
Capital Outlay	201,475
Grants and Entitlements Not Restricted to Specific Programs	4,314,334
Investment Earnings	11,204
Miscellaneous	362,021

Total General Revenues

8,654,273

Change in Net Position

1,233,576

Net Position Beginning of Year

Restated (See Note 2R)

(10,465,109)

Net Position End of Year

\$ (9,231,533)

See accompanying notes to the basic financial statements.

Mogadore Local School District

Summit County, Ohio

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 1,995,425	\$ 172,779	\$ 267,944	\$ 2,436,148
Cash and Cash Equivalents in Segregated Accounts	0	0	835	835
Restricted Cash and Investments	31,768	0	0	31,768
Receivables:				
Accounts	0	174,894	0	174,894
Interfund	9,597	0	0	9,597
Intergovernmental	81,502	0	61,519	143,021
Property Taxes	3,580,162	439,825	201,551	4,221,538
<i>Total Assets</i>	<u>\$ 5,698,454</u>	<u>\$ 787,498</u>	<u>\$ 531,849</u>	<u>\$ 7,017,801</u>
Liabilities				
Accounts Payable	\$ 67,946	\$ 0	\$ 9,136	\$ 77,082
Accrued Wages and Benefits	588,458	0	49,799	638,257
Intergovernmental Payable	150,757	0	5,062	155,819
Matured Compensated Absences Payable	32,577	0	0	32,577
Interfund Payable	0	0	9,597	9,597
<i>Total Liabilities</i>	<u>839,738</u>	<u>0</u>	<u>73,594</u>	<u>913,332</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Fiscal Year	2,762,090	330,002	153,391	3,245,483
Unavailable Revenue - Delinquent Property Taxes	414,916	51,600	23,947	490,463
Unavailable Revenue - Other	0	0	17,050	17,050
<i>Total Deferred Inflows of Resources</i>	<u>3,177,006</u>	<u>381,602</u>	<u>194,388</u>	<u>3,752,996</u>
Fund Balances				
Nonspendable	378	0	0	378
Restricted	31,768	405,896	287,888	725,552
Assigned	185,898	0	0	185,898
Unassigned	1,463,666	0	(24,021)	1,439,645
<i>Total Fund Balances</i>	<u>1,681,710</u>	<u>405,896</u>	<u>263,867</u>	<u>2,351,473</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$ 5,698,454</u></u>	<u><u>\$ 787,498</u></u>	<u><u>\$ 531,849</u></u>	<u><u>\$ 7,017,801</u></u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances	\$ 2,351,473
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,483,145
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Property Taxes	\$ 490,463
Intergovernmental	<u>17,050</u>
	507,513
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.	(21,416)
In the statement of activities, a loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding loss is reported when bonds are issued.	286,416
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	964,224
Deferred Inflows - Pension	(2,339,324)
Net Pension Liability	<u>(12,895,903)</u>
	(14,271,003)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(7,280,000)
Capital Appreciation Bonds	(479,997)
Lease Revenue Bonds	(1,580,000)
Premium on Lease Revenue Bonds	(71,627)
Premium on Refunding Bonds	(417,945)
Accretion of Interest - Capital Appreciation Bonds	(176,142)
Compensated Absences	<u>(561,950)</u>
	(10,567,661)
<i>Net Position of Governmental Activities</i>	<u>\$ (9,231,533)</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 2,955,277	\$ 428,067	\$ 181,924	\$ 3,565,268
Intergovernmental	4,392,492	222,795	557,783	5,173,070
Investment Income	11,204	0	0	11,204
Tuition and Fees	1,791,631	0	0	1,791,631
Extracurricular Activities	87,671	0	90,355	178,026
Charges for Services	0	0	117,275	117,275
Contributions and Donations	6,051	0	1,103	7,154
Miscellaneous	186,365	174,894	714	361,973
<i>Total Revenues</i>	<i>9,430,691</i>	<i>825,756</i>	<i>949,154</i>	<i>11,205,601</i>
Expenditures				
Current:				
Instruction:				
Regular	4,410,282	0	41,057	4,451,339
Special	712,399	0	338,058	1,050,457
Vocational	106,081	0	0	106,081
Student Intervention Services	431,345	0	0	431,345
Other	193,182	0	0	193,182
Support Services:				
Pupils	494,770	0	450	495,220
Instructional Staff	248,948	0	57,005	305,953
Board of Education	43,946	0	0	43,946
Administration	706,776	0	0	706,776
Fiscal	344,791	6,443	2,539	353,773
Business	767	0	0	767
Operation and Maintenance of Plant	777,255	0	9,700	786,955
Pupil Transportation	275,785	0	0	275,785
Central	49,307	0	10,800	60,107
Extracurricular Activities	291,391	0	86,261	377,652
Operation of Non-Instructional Services:				
Food Service Operations	0	0	289,296	289,296
Capital Outlay	0	0	18,445	18,445
Debt Service:				
Principal Retirement	0	500,000	0	500,000
Interest and Fiscal Charges	0	262,839	0	262,839
<i>Total Expenditures</i>	<i>9,087,025</i>	<i>769,282</i>	<i>853,611</i>	<i>10,709,918</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>343,666</i>	<i>56,474</i>	<i>95,543</i>	<i>495,683</i>
Other Financing Sources (Uses)				
Transfers In	0	140,894	31,207	172,101
Transfers Out	(31,207)	0	(140,894)	(172,101)
<i>Total Other Financing Sources (Uses)</i>	<i>(31,207)</i>	<i>140,894</i>	<i>(109,687)</i>	<i>0</i>
<i>Net Change in Fund Balance</i>	<i>312,459</i>	<i>197,368</i>	<i>(14,144)</i>	<i>495,683</i>
<i>Fund Balances Beginning of Year</i>	<i>1,369,251</i>	<i>208,528</i>	<i>278,011</i>	<i>1,855,790</i>
<i>Fund Balances End of Year</i>	<i>\$ 1,681,710</i>	<i>\$ 405,896</i>	<i>\$ 263,867</i>	<i>\$ 2,351,473</i>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$ 495,683
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 52,878	
Current Year Depreciation	<u>(328,219)</u>	(275,341)

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

Property Taxes	401,446	
Intergovernmental	<u>(12,957)</u>	388,489

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	440,000	
Lease Revenue Bonds	<u>60,000</u>	500,000

In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.

Accrued Interest Payable	975	
Amortization of Premium on Bonds	28,947	
Amortization of Refunding Loss	<u>(16,848)</u>	13,074

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

842,358

Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(650,367)

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

Compensated Absences	(1,667)	
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Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.

(78,653)

Change in Net Position of Governmental Activities

\$ 1,233,576

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)	
	Original	Final	Actual		
Revenues					
Property and Other Local Taxes	\$ 3,007,696	\$ 3,007,696	\$ 2,933,926	\$ (73,770)	
Intergovernmental	4,453,054	4,453,054	4,392,492	(60,562)	
Investment Income	36,186	36,186	31,963	(4,223)	
Tuition and Fees	1,817,996	1,817,996	1,762,345	(55,651)	
Extracurricular Activities	30,864	30,864	23,240	(7,624)	
Miscellaneous	66,752	66,752	181,568	114,816	
<i>Total Revenues</i>	<i>9,412,548</i>	<i>9,412,548</i>	<i>9,325,534</i>	<i>(87,014)</i>	
Expenditures					
Current:					
Instruction:					
Regular	4,561,272	4,561,272	4,398,434	162,838	
Special	761,679	761,679	765,617	(3,938)	
Vocational	106,241	106,241	106,698	(457)	
Student Intervention Services	411,551	411,551	438,002	(26,451)	
Other	194,339	194,339	193,182	1,157	
Support Services:					
Pupils	465,416	465,416	527,272	(61,856)	
Instructional Staff	291,766	291,766	238,512	53,254	
Board of Education	71,799	71,799	54,567	17,232	
Administration	765,618	765,618	735,295	30,323	
Fiscal	345,721	345,721	356,650	(10,929)	
Business	333	333	767	(434)	
Operation and Maintenance of Plant	900,361	900,361	828,555	71,806	
Pupil Transportation	418,268	418,268	304,609	113,659	
Central	15,044	15,044	49,307	(34,263)	
Extracurricular Activities	203,278	203,278	211,637	(8,359)	
<i>Total Expenditures</i>	<i>9,512,686</i>	<i>9,512,686</i>	<i>9,209,104</i>	<i>303,582</i>	
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(100,138)</i>	<i>(100,138)</i>	<i>116,430</i>	<i>216,568</i>	
Other Financing Sources (Uses)					
Refund of Prior Year Expenditures	22,000	22,000	0	(22,000)	
Advances Out	0	0	(7,580)	(7,580)	
Transfers Out	(35,711)	(35,711)	(31,207)	4,504	
<i>Total Other Financing Sources (Uses)</i>	<i>(13,711)</i>	<i>(13,711)</i>	<i>(38,787)</i>	<i>(25,076)</i>	
<i>Net Change in Fund Balance</i>	<i>(113,849)</i>	<i>(113,849)</i>	<i>77,643</i>	<i>191,492</i>	
<i>Fund Balance Beginning of Year</i>	<i>1,597,395</i>	<i>1,597,395</i>	<i>1,597,395</i>	<i>0</i>	
Prior Year Encumbrances Appropriated	136,499	136,499	136,499	0	
<i>Fund Balance End of Year</i>	<i>\$ 1,620,045</i>	<i>\$ 1,620,045</i>	<i>\$ 1,811,537</i>	<i>\$ 191,492</i>	

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 7,233	\$ <u>48,521</u>
Liabilities		
Due to Students	0	\$ <u>48,521</u>
Net Position		
Held in Trust for Scholarships	<u>\$ 7,233</u>	

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$ 6,483
Deductions	
Payments in Accordance with Trust Agreements	<u>2,300</u>
<i>Change in Net Position</i>	4,183
<i>Net Position Beginning of Year</i>	<u>3,050</u>
<i>Net Position End of Year</i>	<u>\$ 7,233</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District and Reporting Entity

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

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

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

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

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

A. Basis of Presentation

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

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

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

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

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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.

Debt Service Fund The debt service fund accounts for tax revenues collected and used to retire long term bond obligations of the School District.

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

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

C. Measurement Focus

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

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

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11).

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.

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. 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 2015.

The appropriation resolution is subject to amendment by the Board of Education throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2015.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015, investments were limited to federal agency instruments and US treasury notes.

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$11,204. The general fund interest includes \$2,713 assigned from other School District funds.

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

G. Premiums

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

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 and for capital improvements. See Note 17 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 Position 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 \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

All reported capital assets, other than land, 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:

Description	Estimated Lives
Land Improvements	5 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	10 Years

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 Position.

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 government-wide financial statements.

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

L. Pensions

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

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments 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.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015, there was no net position restricted by enabling legislation.

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

O. Fund Balance

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

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

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

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

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

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

P. Interfund Activity

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

Q. Estimates

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

R. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See the following schedule for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	\$ 3,997,885
Adjustments:	
Net Pension Liability	(15,328,398)
Deferred Outflow - Payments Subsequent to Measurement Date	865,404
Restated Net Position, July 1, 2014	<u>\$ (10,465,109)</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 3 – Fund Balance

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

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	General	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	\$ 378	\$ 0	\$ 0	\$ 378
Restricted for:				
Budget Stabilization - BWC Refund	31,768	0	0	31,768
Capital Outlay	0	0	218,027	218,027
Federal Grant Programs	0	0	3,587	3,587
Debt Service	0	405,896	0	405,896
Athletics	0	0	57,931	57,931
Other Grants	0	0	8,343	8,343
Total Restricted	<u>31,768</u>	<u>405,896</u>	<u>287,888</u>	<u>725,552</u>
Assigned for:				
Encumbrances:				
Instruction	2,227	0	0	2,227
Support Services	80,162	0	0	80,162
Extracurricular	584	0	0	584
Other Purposes	<u>102,925</u>	<u>0</u>	<u>0</u>	<u>102,925</u>
Total Assigned	<u>185,898</u>	<u>0</u>	<u>0</u>	<u>185,898</u>
Unassigned	<u>1,463,666</u>	<u>0</u>	<u>(24,021)</u>	<u>* 1,439,645</u>
Total Fund Balance	<u>\$ 1,681,710</u>	<u>\$ 405,896</u>	<u>\$ 263,867</u>	<u>\$ 2,351,473</u>

* Unassigned fund balance included the following individual fund deficits:

	<u>Deficit</u>
	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service	\$ 15,490
Title VI-B	425
Title I	8,106

The deficit fund balance 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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

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

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

GAAP Basis	\$ 312,459
Net Adjustment for Revenue Accruals	(592)
Net Adjustment for Expenditure Accruals	(101,615)
Funds Budgeted Elsewhere **	3,553
Adjustment for Encumbrances	<u>(136,162)</u>
Budget Basis	<u>\$ 77,643</u>

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

Note 5 - Deposits and Investments

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

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

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

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

Interim monies may be invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the

Mogadore Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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 percent 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.

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$848,025, and the bank balance was \$949,052. Of the bank balance:

1. \$250,000 the bank balance was covered by depository insurance; and
2. \$699,052 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments Investments are reported at fair value. As of June 30, 2015 the School District had the following investments and maturities:

Standard & Poors Rating	Fair Value	Investment Maturities (in months)					% Total Investments
		< 6	7-12	13-18	19-23	>24	
AAAm	Federated Gov't Obligations Fund	\$ 202,344	\$ 202,344	\$ 0	\$ 0	\$ 0	12.07%
AA+	US Treasury Notes	491,950	0	75,955	50,379	210,718	29.34%
AA+	Fannie Mae	277,752	0	101,595	176,157	0	16.57%
AA+	Freddie Mac	704,434	501,244	152,910	50,280	0	42.02%
Totals		\$ 1,676,480	\$ 703,588	\$ 330,460	\$ 276,816	\$ 210,718	\$ 154,898
							100.00%

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

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. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Credit Risk The School District's investments at June 30, 2015 are rated as shown above by Standard & Poor's. Federal money markets are exempt from ratings since explicitly guaranteed by a U.S. Government Agency. The School District's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officer and County Auditor, respectively, periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general, debt service and permanent improvement funds was \$403,156, \$58,223, and \$24,213, respectively. The amount available for advance at June 30, 2014, in the general, debt service and permanent improvement funds was \$381,805, \$69,754, and \$22,976, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

Mogadore Local School District

Summit County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 80,713,500	96.61%	\$ 81,260,940	96.28%
Public Utility Personal Property	2,834,110	3.39%	3,136,260	3.72%
Total	<u>\$ 83,547,610</u>	<u>100.00%</u>	<u>\$ 84,397,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$82.73		\$81.28	

Note 7 - Receivables

Receivables at June 30, 2015 consisted of accounts, property taxes, interfund and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015
Governmental Activities				
Land	\$ 183,353	\$ 0	\$ 0	\$ 183,353
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,189,672	0	0	1,189,672
Building and Improvements	15,816,354	0	0	15,816,354
Furniture and Equipment	1,444,080	43,178	0	1,487,258
Vehicles	514,878	9,700	0	524,578
Total Capital Assets, being depreciated	18,964,984	52,878	0	19,017,862
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,188,229)	(1,444)	0	(1,189,673)
Building and Improvements	(3,448,023)	(287,379)	0	(3,735,402)
Furniture and Equipment	(1,257,566)	(30,341)	0	(1,287,907)
Vehicles	(496,033)	(9,055)	0	(505,088)
Total Accumulated Depreciation	(6,389,851)	(328,219)	0	(6,718,070)
Total Capital Assets being depreciated, Net	12,575,133	(275,341)	0	12,299,792
Governmental Activities Capital Assets, Net	\$ 12,758,486	\$(275,341)	\$ 0	\$ 12,483,145
Depreciation expense was charged to governmental functions as follows:				
Instruction:				
Regular	\$ 97,221			
Special	11,829			
Support Services:				
Pupils	2,346			
Instructional Staff	2,478			
Administration	11,109			
Fiscal	187			
Operation and Maintenance of Plant	127,733			
Pupil Transportation	6,318			
Food Service Operations	2,060			
Extracurricular Activities	66,938			
Total Depreciation	<u><u>\$ 328,219</u></u>			

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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 2015, the School District contracted with the Bowers Insurance and Financial Services, Inc. for fleet, property and inland marine insurance coverage. Liability coverage is provided by the Ohio Casualty Group.

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.

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (G.P.), an insurance purchasing pool (Note 15). The intent of the G.P. is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the G.P. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the G.P. Each participant pays its workers' compensation premium to the State based on the rate for the G.P. rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the G.P. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the G.P. Participation in the G.P. is limited to school districts that can meet the G.P.'s selection criteria. The firm of Sheakley Unicorp Inc. provides administrative, cost control and actuarial services of the G.P.

The School District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of approximately 40 members. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims.

Note 10 - Employee Benefits

A. Compensated Absences

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Net Pension Liability

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

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

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

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

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$239,926 for fiscal year 2015. Of this amount \$22,202 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Mogadore Local School District**Summit County, Ohio***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$602,432 for fiscal year 2015. Of this amount \$89,236 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 10,849,005	\$ 2,046,898	\$ 12,895,903
Proportion of the Net Pension Liability	0.04460305%	0.04044500%	
Pension Expense	\$ 484,190	\$ 166,177	\$ 650,367

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 104,445	\$ 17,421	\$ 121,866
School District contributions subsequent to the measurement date	<u>602,432</u>	<u>239,926</u>	<u>842,358</u>
Total Deferred Outflows of Resources	<u>\$ 706,877</u>	<u>\$ 257,347</u>	<u>\$ 964,224</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,007,107</u>	<u>\$ 332,217</u>	<u>\$ 2,339,324</u>

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

\$842,358 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	STRS	SERS	Total
2016	\$ (475,666)	\$ (78,699)	\$ (554,365)
2017	(475,666)	(78,699)	(554,365)
2018	(475,666)	(78,699)	(554,365)
2019	(475,664)	(78,699)	(554,363)
	<u>\$ (1,902,662)</u>	<u>\$ (314,796)</u>	<u>\$ (2,217,458)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 2,920,316	\$ 2,046,898	\$ 1,312,279

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	<u>3.00</u>
	<u><u>100.00 %</u></u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described

Mogadore Local School District

Summit County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	Current		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 15,531,534	\$ 10,849,005	\$ 6,889,162

Note 12 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$34,847, \$26,132 and \$25,291, respectively. For fiscal year 2015, 91 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$50,445, and \$43,087, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Mogadore Local School District
Summit County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Restated Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015	Amounts Due In One Year
<i>2005 Capital Improvement Bonds 3.00% to 4.375% Maturing December 1, 2015</i>					
	\$ 60,000	\$ 0	\$ 30,000	\$ 30,000	\$ 30,000
<i>Lease Revenue Bonds 3.55% - 5.125% Maturing December 1, 2031:</i>					
Bonds	1,640,000	0	60,000	1,580,000	60,000
Premium	75,989	0	4,362	71,627	0
<i>Total Lease Revenue Bonds</i>	<u>1,715,989</u>	<u>0</u>	<u>64,362</u>	<u>1,651,627</u>	<u>60,000</u>
<i>2012 Refunding Bonds Maturing December 1, 2031:</i>					
Serial and Term Bonds	7,660,000	0	410,000	7,250,000	415,000
Premium	442,530	0	24,585	417,945	0
<i>Capital Appreciation Bonds Maturing December 1, 2016 and 2017</i>	<u>479,997</u>	<u>0</u>	<u>0</u>	<u>479,997</u>	<u>0</u>
Accretion on Capital Appreciation Bonds	97,489	78,653	0	176,142	0
<i>Total 2012 Refunding Bonds</i>	<u>8,680,016</u>	<u>78,653</u>	<u>434,585</u>	<u>8,324,084</u>	<u>415,000</u>
<i>Net Pension Liability</i>					
STRS	12,923,264	0	2,074,259	10,849,005	0
SERS	2,405,134	0	358,236	2,046,898	0
<i>Total Net Pension Liability</i>	<u>15,328,398</u>	<u>0</u>	<u>2,432,495</u>	<u>12,895,903</u>	<u>0</u>
<i>Compensated Absences</i>	<u>560,283</u>	<u>163,507</u>	<u>161,840</u>	<u>561,950</u>	<u>123,921</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 26,344,686</u>	<u>\$ 242,160</u>	<u>\$ 3,123,282</u>	<u>\$ 23,463,564</u>	<u>\$ 628,921</u>

Compensated absences will be paid from the fund from which employees are paid, which is typically the general and food service funds. The capital improvements serial bonds, capital appreciation bonds, lease revenue bonds and refunding bonds will be repaid from the debt service fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

During fiscal year 2006, the School District issued \$10,649,997 in general obligation bonds which included 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. In fiscal year 2013, \$8,240,000 of the serial bonds were refunded. As of June 30, 2015, \$7,920,000 of these bonds are considered defeased (which will mature on December 1, 2015 through 2032). The capital appreciation bonds matured on December 1, 2013.

Mogadore Local School District

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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.

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

These refunding bonds were issued with a premium of \$491,699, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight line method. The amortization for June 30, 2015 was \$24,585. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,458,080. The issuance resulted in an economic gain of \$1,162,462.

This bond issue consists of serial, term and capital appreciation bonds.

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

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

The capital appreciation bonds mature on December 1, 2016 and December 1, 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$845,000. For fiscal year 2015, \$78,653 was accreted for a total liability of \$656,139.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Fiscal Year Ending June 30,	Capital Improvement/ Refunding Bonds				Capital Appreciation Bonds		Lease Revenue Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 445,000	\$ 172,511	\$ 0	\$ 0	\$ 60,000	\$ 78,532	\$ 505,000	\$ 251,043		
2017	0	167,768	256,717	168,283	65,000	75,950	321,717	412,001		
2018	0	167,768	223,280	196,720	65,000	72,903	288,280	437,391		
2019	420,000	163,569	0	0	70,000	69,444	490,000	233,013		
2020	430,000	155,069	0	0	75,000	65,728	505,000	220,797		
2021 - 2025	2,285,000	637,628	0	0	430,000	265,987	2,715,000	903,615		
2026 - 2030	2,565,000	349,076	0	0	550,000	140,939	3,115,000	490,015		
2031 - 2032	1,135,000	34,276	0	0	265,000	13,709	1,400,000	47,985		
Total	<u>\$ 7,280,000</u>	<u>\$ 1,847,665</u>	<u>\$ 479,997</u>	<u>\$ 365,003</u>	<u>\$ 1,580,000</u>	<u>\$ 783,192</u>	<u>\$ 9,339,997</u>	<u>\$ 2,995,860</u>		

Note 14 - Jointly Governed Organizations

A. Northeast Ohio Network for Educational Technology

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEOnet) which is a computer consortium. NEOnet is a jointly governed organization among School Districts located within the boundaries of Cuyahoga, Lake, Medina, Portage and Summit Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NEOnet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All the NEOnet revenues are generated from charges for services and state funding. To obtain financial information write NEOnet, 700 Graham Road, Cuyahoga Falls, Ohio 44221. The Summit County Educational Service Center serves as the fiscal agent. NEOnet is not dependent on the School District's participation, and no equity interest exists. The School District paid \$46,206 to NEOnet during fiscal year 2015.

B. Maplewood Career Center

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

Note 15 - Public Entity Risk Pools

A. Stark County Schools Council of Governments

The Stark County Schools Council of Governments (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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-Schuetz the insurance agency has one board seat. Ohio School Board Association (OSBA), Buckeye Association of School Administrators (BASA) and Ohio Association of School Business Officials (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-Schuetz Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

C. Ohio School Boards Association Workers' Compensation Group Rating Program

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

Note 16 - Contingencies

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Note 17 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2015, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

	Capital Improvements	BWC Refund	Budget Stabilization
Set-Aside Restricted Balance as of June 30, 2014	\$ 0	\$ 31,768	
Current Year Set-Aside Requirement	158,942		0
Qualifying Disbursements	(731,063)		0
Total	<u><u>\$ (572,121)</u></u>	<u><u>\$ 31,768</u></u>	
Set-Aside Balance Carried Forward to FY 2016	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	
Set-Aside Restricted Balance as of June 30, 2015	<u><u>\$ 0</u></u>	<u><u>\$ 31,768</u></u>	

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 18 – Interfund Activity

A. Interfund Receivable/Payable

Interfund balances at June 30, 2015 consisted of the following:

Fund	Interfund Receivable	Interfund Payable
<i>Major Governmental Funds:</i>		
General	\$ 9,597	\$ 0
<i>Non-major Governmental Funds</i>		
Other Grants	0	7,580
Title VI-B	0	1,561
Title VI-R	0	456
<i>Total Non-Major Governmental Funds</i>	<i>0</i>	<i>9,597</i>
<i>Total All Funds</i>	<u>\$ 9,597</u>	<u>\$ 9,597</u>

The general fund advanced monies to nonmajor governmental funds to cover expenditures until expected revenues were received. All interfund loans will be repaid in fiscal year 2016 with monies to be received from reimbursable expenditures incurred during fiscal year 2015.

B. Interfund Transfers

Transfers during June 30, 2015, consisted of the following:

Fund	Transfers In	Transfers Out
<i>Major Governmental Funds:</i>		
General	\$ 0	\$ 31,207
Debt Service	140,894	0
<i>Non-major Governmental Funds</i>		
Permanent Improvement	0	140,894
Food Service	31,000	0
Athletics	207	0
<i>Total Non-Major Governmental Funds</i>	<i>31,207</i>	<i>140,894</i>
<i>Total All Funds</i>	<u>\$ 172,101</u>	<u>\$ 172,101</u>

During the fiscal year, the general fund transferred \$31,000 to the food service fund and \$207 to the athletics fund to cover deficits in the funds. The transfer from the permanent improvement fund to the debt service fund was made to make principal and interest payments. Transfers between governmental funds are eliminated on the governmental-wide financials.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 19 – Significant Encumbrances

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

Fund	Amount
General	\$ 86,657
Nonmajor Governmental	22,463
	<hr/> <u>\$ 109,120</u>

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

	2015	2014
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability	0.04460305%	0.04460305%
School District's proportionate share of the net pension liability	\$ 10,849,005	\$ 12,923,264
School District's covered-employee payroll	\$ 5,044,515	\$ 4,308,723
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	215.07%	299.93%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability	0.04044500%	0.04044500%
School District's proportionate share of the net pension liability	\$ 2,046,898	\$ 2,405,134
School District's covered-employee payroll	\$ 1,512,388	\$ 1,512,551
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	135.34%	159.01%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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Mogadore Local School District
Summit County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2015	2014	2013	2012
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 602,432	\$ 655,787	\$ 560,134	\$ 612,761
Contributions in Relation to the Contractually Required Contribution	<u>(602,432)</u>	<u>(655,787)</u>	<u>(560,134)</u>	<u>(612,761)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 4,303,086	\$ 5,044,515	\$ 4,308,723	\$ 4,713,546
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
<i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 239,926	\$ 209,617	\$ 209,337	\$ 220,350
Contributions in relation to the contractually required contribution	<u>(239,926)</u>	<u>(209,617)</u>	<u>(209,337)</u>	<u>(220,350)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 1,820,379	\$ 1,512,388	\$ 1,512,551	\$ 1,638,290
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

2011	2010	2009	2008	2007	2006
\$ 643,290	\$ 611,678	\$ 562,108	\$ 517,762	\$ 485,888	\$ 491,736
<u>(643,290)</u>	<u>(611,678)</u>	<u>(562,108)</u>	<u>(517,762)</u>	<u>(485,888)</u>	<u>(491,736)</u>
<u>\$ 0</u>					
\$ 4,948,385	\$ 4,705,215	\$ 4,323,908	\$ 3,982,785	\$ 3,737,600	\$ 3,782,585
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 181,390	\$ 201,481	\$ 132,640	\$ 110,387	n/a	n/a
<u>(181,390)</u>	<u>(201,481)</u>	<u>(132,640)</u>	<u>(110,387)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 1,443,039	\$ 1,488,043	\$ 1,347,967	\$ 1,124,104	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mogadore Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 24, 2017, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Mogadore Local School District
Summit County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 24, 2017



Dave Yost • 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MAY 11, 2017