



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MOGADORE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY  
JUNE 30, 2023**

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# OHIO AUDITOR OF STATE KEITH FABER



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the cash-basis 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in cash-basis financial position and the respective budgetary comparison for the General and Food Service Funds for the year then ended in accordance with the cash-basis of accounting described in Note 2.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter - Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Emphasis of Matter – Financial Distress***

As discussed in Note 19 to the financial statements, the District was placed in fiscal caution on June 30, 2023 by the Ohio Department of Education. Note 19 also describes management's plan regarding this matter. Our opinion was not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the District's basic financial statements.

The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 28, 2024

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**Mogadore Local School District**  
**Summit County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2023*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 969,482</u>
<b>Net Position</b>	
Restricted for:	
Debt Service	290,784
Capital Outlay	155,433
Other Purposes	348,023
Unrestricted	<u>175,242</u>
<i>Total Net Position</i>	<u><u>\$ 969,482</u></u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
**Summit County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2023*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 5,658,669	\$ 209,606	\$ 255,888	\$ (5,193,175)
Special	1,537,863	59,275	477,757	(1,000,831)
Vocational	126,955	-	-	(126,955)
Student Intervention Services	310,001	-	-	(310,001)
Other	36,867	-	-	(36,867)
Support Services:				
Pupils	709,758	41,931	50,736	(617,091)
Instructional Staff	419,402	6,973	-	(412,429)
Board of Education	60,923	-	-	(60,923)
Administration	1,008,578	-	-	(1,008,578)
Fiscal	400,021	-	-	(400,021)
Operation and Maintenance of Plant	1,094,522	-	4,774	(1,089,748)
Pupil Transportation	515,831	-	75,039	(440,792)
Central	-	-	2,700	2,700
Operation of Non-Instructional Services:				
Food Service Operations	339,530	129,443	177,480	(32,607)
Extracurricular Activities	476,607	76,303	26,897	(373,407)
Capital Outlay	12,200	-	-	(12,200)
Debt Service:				
Principal Retirement	2,145,000	-	-	(2,145,000)
Interest and Fiscal Charges	268,544	-	-	(268,544)
<i>Totals</i>	<u>\$ 15,121,271</u>	<u>\$ 523,531</u>	<u>\$ 1,071,271</u>	<u>\$ (13,526,469)</u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	4,227,240
Debt Service	443,786
Capital Outlay	194,974
Grants and Entitlements not Restricted to Specific Programs	7,310,369
Proceeds of Tax Anticipation Notes	1,200,000
Miscellaneous	45,902
<i>Total General Receipts</i>	<u>13,422,271</u>
<i>Change in Net Position</i>	(104,198)
<i>Net Position Beginning of Year</i>	<u>1,073,680</u>
<i>Net Position End of Year</i>	<u>\$ 969,482</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
**Summit County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2023*

	General	Bond Retirement	Permanent Improvement	Food Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 759,256	\$ 290,784	\$ 155,433	\$ 110,047	\$ (346,038)	\$ 969,482
<b>Fund Balances</b>						
Nonspendable	\$ 403	\$ -	\$ -	\$ -	\$ -	\$ 403
Restricted	-	290,784	155,433	110,047	148,274	704,538
Assigned	510,750	-	-	-	-	510,750
Unassigned (Deficit)	248,103	-	-	-	(494,312)	(246,209)
<i>Total Fund Balances</i>	<u>\$ 759,256</u>	<u>\$ 290,784</u>	<u>\$ 155,433</u>	<u>\$ 110,047</u>	<u>\$ (346,038)</u>	<u>\$ 969,482</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
**Summit County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2023*

	General	Bond Retirement	Permanent Improvement	Food Service	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$ 4,227,240	\$ 443,786	\$ 194,974	\$ -	\$ -	\$ 4,866,000
Intergovernmental	7,037,255	208,930	52,965	177,480	856,757	8,333,387
Tuition and Fees	253,184	-	-	-	-	253,184
Extracurricular Activities	22,670	-	-	-	118,234	140,904
Gifts and Donations	11,219	-	-	-	37,034	48,253
Charges for Services	-	-	-	129,443	-	129,443
Miscellaneous	34,838	-	-	-	11,064	45,902
<i>Total Receipts</i>	<u>11,586,406</u>	<u>652,716</u>	<u>247,939</u>	<u>306,923</u>	<u>1,023,089</u>	<u>13,817,073</u>
<b>Disbursements</b>						
Current:						
Instruction:						
Regular	5,444,022	-	552	-	214,095	5,658,669
Special	1,199,937	-	-	-	337,926	1,537,863
Vocational	126,955	-	-	-	-	126,955
Student Intervention Services	310,001	-	-	-	-	310,001
Other	36,867	-	-	-	-	36,867
Support Services:						
Pupils	665,978	-	-	-	43,780	709,758
Instructional Staff	419,402	-	-	-	-	419,402
Board of Education	60,923	-	-	-	-	60,923
Administration	1,008,578	-	-	-	-	1,008,578
Fiscal	390,622	6,599	2,800	-	-	400,021
Operation and Maintenance of Plant	1,090,473	-	52	-	3,997	1,094,522
Pupil Transportation	453,010	-	-	-	62,821	515,831
Extracurricular Activities	306,016	-	-	-	170,591	476,607
Operation of Non-Instructional Services:						
Food Service Operations	-	-	-	339,530	-	339,530
Capital Outlay	7,850	-	4,350	-	-	12,200
Debt Service:						
Principal Retirement	1,200,000	945,000	-	-	-	2,145,000
Interest and Fiscal Charges	32,701	235,843	-	-	-	268,544
<i>Total Disbursements</i>	<u>12,753,335</u>	<u>1,187,442</u>	<u>7,754</u>	<u>339,530</u>	<u>833,210</u>	<u>15,121,271</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,166,929)</u>	<u>(534,726)</u>	<u>240,185</u>	<u>(32,607)</u>	<u>189,879</u>	<u>(1,304,198)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds of Tax Anticipation Notes	1,200,000	-	-	-	-	1,200,000
Advances In	-	-	-	80,000	32,000	112,000
Advances Out	(112,000)	-	-	-	-	(112,000)
Transfers In	-	641,653	-	-	-	641,653
Transfers Out	(519,159)	-	(122,494)	-	-	(641,653)
<i>Total Other Financing Sources (Uses)</i>	<u>568,841</u>	<u>641,653</u>	<u>(122,494)</u>	<u>80,000</u>	<u>32,000</u>	<u>1,200,000</u>
<i>Net Change in Fund Balances</i>	<u>(598,088)</u>	<u>106,927</u>	<u>117,691</u>	<u>47,393</u>	<u>221,879</u>	<u>(104,198)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,357,344</u>	<u>183,857</u>	<u>37,742</u>	<u>62,654</u>	<u>(567,917)</u>	<u>1,073,680</u>
<i>Fund Balances End of Year</i>	<u>\$ 759,256</u>	<u>\$ 290,784</u>	<u>\$ 155,433</u>	<u>\$ 110,047</u>	<u>\$ (346,038)</u>	<u>\$ 969,482</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
**Summit County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2023*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 11,045,540	\$ 11,657,856	\$ 12,716,788	\$ 1,058,932
Disbursements and Other Financing Uses	<u>12,849,531</u>	<u>12,849,531</u>	<u>13,628,108</u>	<u>(778,577)</u>
Net Change in Fund Balance	(1,803,991)	(1,191,675)	(911,320)	280,355
<i>Fund Balance Beginning of Year</i>	859,724	859,724	859,724	-
Prior Year Encumbrances Appropriated	<u>299,689</u>	<u>299,689</u>	<u>299,689</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ (644,578)</u>	<u>\$ (32,262)</u>	<u>\$ 248,093</u>	<u>\$ 280,355</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
**Summit County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*Food Service Fund*  
*For the Fiscal Year Ended June 30, 2023*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 318,000	\$ 318,000	\$ 386,923	\$ 68,923
Disbursements and Other Financing Uses	<u>330,894</u>	<u>360,894</u>	<u>398,049</u>	<u>(37,155)</u>
Net Change in Fund Balance	(12,894)	(42,894)	(11,126)	31,768
<i>Fund Balance Beginning of Year</i>	30,860	30,860	30,860	-
Prior Year Encumbrances Appropriated	<u>31,792</u>	<u>31,792</u>	<u>31,792</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 49,758</u>	<u>\$ 19,758</u>	<u>\$ 51,526</u>	<u>\$ 31,768</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
**Summit County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2023*

	Custodial
<b>Additions</b>	
Extracurricular Amounts Collected for Other Organizations	\$ -
<b>Deductions</b>	
Extracurricular Distributions to Other Organizations	13,704
<i>Change in Net Position</i>	(13,704)
<i>Net Position Beginning of Year</i>	13,704
<i>Net Position End of Year</i>	\$ -

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, 2023*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

***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.



**Mogadore Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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***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.

***Stark County Schools Council of Governments***

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

***Ohio School Boards Association Workers' Compensation Group Rating Program***

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies, which are described below.

**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.

**Mogadore Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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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 disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the School District.

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

### **Fund Accounting**

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

### **Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. The School District also reports investments as assets, valued at cost basis.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued liabilities and the related disbursements) are not recorded in these financial statements.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. The following are the School District's major governmental funds:

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

**Mogadore Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

**Permanent Improvement Fund** The permanent improvement fund reports a tax levy, bond and note proceeds and contributions restricted for the acquisition, construction or improvement of capital facilities.

**Food Service Fund** The food service fund accounts for and reports charges for services and operating grants restricted to the food service operations 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 the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's fiduciary fund is a custodial fund. The custodial fund was used to account for assets held by the School District for OHSAA athletic tournaments.

### **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 custodial 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 Receipts 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 the fiscal year.

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 the fiscal year.

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**Cash and Cash Equivalents**

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 cash equivalents" on the financial statements.

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. The School District had no interest revenue credited to the general fund during fiscal year 2023.

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 cash equivalents." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

**Inventory and Prepaid Items**

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Interfund Receivables/Payables**

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

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**Subscription-Based Information Technology Arrangements (SBITA)**

For fiscal year 2023, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The School District is party to various SBITAs; however, liabilities are not reflected under the School District's cash basis of accounting. SBITA disbursements are recognized when they are paid.

**Long-term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds, leases and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a SBITA or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. SBITA and financed purchase payments are reported when paid.

**Pensions and Other Postemployment Benefits (OPEB)**

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

**Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities, food service operations and grants.

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

**Fund Balance**

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

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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.

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.

**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.

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

	General	Bond Retirement	Permanent Improvement	Food Service	Other Governmental Funds	Total
Nonspendable for:						
Unclaimed Monies	\$ 403	\$ -	\$ -	\$ -	\$ -	\$ 403
Restricted for:						
Other Purposes	-	-	-	110,047	94,652	204,699
Capital Outlay	-	-	155,433	-	-	155,433
Debt Service	-	290,784	-	-	-	290,784
Other Grants	-	-	-	-	40,092	40,092
State Grant Programs	-	-	-	-	13,530	13,530
Total Restricted	-	290,784	155,433	110,047	148,274	704,538
Assigned for:						
Instruction	36,279	-	-	-	-	36,279
Support Services	253,655	-	-	-	-	253,655
Public School Support	29,873	-	-	-	-	29,873
Other Purposes	190,943	-	-	-	-	190,943
Total Assigned	510,750	-	-	-	-	510,750
Unassigned	248,103	-	-	-	(494,312)	(246,209)
Total Fund Balance	\$ 759,256	\$ 290,784	\$ 155,433	\$ 110,047	\$ (346,038)	\$ 969,482

Unassigned fund balance included the following individual fund deficits:

	Deficit
<b><i>Non-Major Governmental Funds</i></b>	
Student Wellness	\$ 37,538
ESSER	94,483
IDEA, Part B	48,611
Title I, School Improvement Stimulus	8,755
Title I Disadvantaged Children	224,571
Drug Free School	4,045
Improving Teacher Quality	6,700
Miscellaneous Federal Grants	1,788
Building Fund	67,821
Total	\$ 494,312

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) 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 cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund.

<b>Net Change in Fund Balance</b>		
	<b>General Fund</b>	<b>Food Service Fund</b>
Cash Basis	\$ (598,088)	\$ 47,393
Funds Budgeted Elsewhere**	(23,299)	-
Adjustment for Encumbrances	(289,933)	(58,519)
Budget Basis	\$ (911,320)	\$ (11,126)

\*\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes uniform supplies, pupils support and unclaimed monies 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.



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

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

Interim monies may be invested in the following securities:

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

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

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expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** At year-end, \$766,133 of the School District's bank balance was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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

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

#### **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 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2021, 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 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022 and are collected 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.

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The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officer and County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$99,702,450	92.35%	\$ 99,667,180	92.59%
Public Utility Personal Property	7,846,440	7.65%	7,973,310	7.41%
Total	\$ 107,548,890	100.00%	\$ 107,640,490	100.00%
Tax rate per \$1,000 of assessed valuation	\$85.96		\$87.20	

**NOTE 7 - 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 the fiscal year, the School District contracted with the Bowers Insurance and Financial Services, Inc. for fleet, property and inland marine insurance coverage and liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

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

**NOTE 8 - EMPLOYEE BENEFITS**

**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.

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

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

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Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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, may be included in this plan.

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPIW, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. SERS approved a 2.5 percent COLA for calendar year 2022.

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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2023.

The School District’s contractually required contribution to SERS was \$182,648 for fiscal year 2023.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (614) 227-4090, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

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The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2023 contribution rates were equal to the statutory maximum rates.

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The School District's contractually required contribution to STRS was \$832,578 for fiscal year 2023.

***Pension Liabilities***

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0346970%	0.04362800%	
Prior Measurement Date	0.0347440%	0.04478200%	
Change in Proportionate Share	<u>-0.0000470%</u>	<u>-0.00115400%</u>	
Proportionate Share of the Net Pension Liability	\$ 1,876,673	\$ 9,698,652	\$ 11,575,325

***Actuarial Assumptions - SERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2132.

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, 2022 and June 30, 2021, are presented below:

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Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For 2022 and 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategies	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

**Discount Rate** Total pension liability was calculated using the discount rate of 7.00 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed



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investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was negative 1.93 percent.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 2,762,389	\$ 1,876,673	\$ 1,130,489

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation, are presented below:

Inflation	2.50 percent
Salary Increases	Varies by service from 2.50 percent to 8.50 percent
Payroll Increases	3.00 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, are presented below:

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

For 2022, post-retirement mortality rates for healthy retirees are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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For 2021, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2022 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Asset Class	Target Allocation*	Long-Term Expected Rate of Return**
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00 %	

\*Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table represents the School District's proportionate share of the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 14,650,992	\$ 9,698,652	\$ 5,510,334

***Assumption and Benefit Changes Since the Prior Measurement Date*** The discount rate was adjusted to 7.00 percent for the June 30, 2022 valuation.

Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

**NOTE 10 - DEFINED BENEFIT OPEB PLANS**

See Note 9 for a description of the net OPEB liability (asset).

***Plan Description - School Employees Retirement System (SERS)***

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

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

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was \$23,485.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B partial premium reimbursements will be continued indefinitely. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (614) 227-4090.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.035416%	0.043628%
Prior Measurement Date	0.035734%	0.044782%
Change in Proportionate Share	-0.000318%	-0.001154%
Proportionate Share of the Net		
OPEB Liability (Asset)	\$ 497,250	\$ (1,129,674)

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***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	1.92 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate	
Measurement Date	2.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	4.08 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	7.00 percent - 4.40 percent

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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate	
Measurement Date	2.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	6.750 percent - 4.40 percent
Medicare	5.125 percent - 4.40 percent

For 2022 and 2021, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategies	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022 was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.08 percent) and higher (5.08 percent) than the current discount rate (4.08 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.40 percent) and higher (8.00 percent decreasing to 5.40 percent) than the current rate (7.00 percent decreasing to 4.40 percent).

	1% Decrease	Current Discount Rate	1% Increase
	School District's Proportionate Share of the Net OPEB Liability	\$ 617,585	\$ 497,250
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 383,465	\$ 497,250	\$ 645,859

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***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation are presented below:

Salary Increases	Varies by service from 2.50 percent to 8.50 percent	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.00 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	7.50 percent	3.94 percent
Medicare	-68.78 percent	3.94 percent
Prescription Drug		
Pre-Medicare	9.00 percent	3.94 percent
Medicare	-5.47 percent	3.94 percent

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.00 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

In 2022, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

In 2021, for healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.



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The actuarial assumptions used in the June 30, 2022 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Asset Class	Target Allocation*	Long-Term Expected Rate of Return**
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00 %	

\*Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2022.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2022, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,044,354)	\$ (1,129,674)	\$ (1,202,758)
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,171,747)	\$ (1,129,674)	\$ (1,076,568)

**Assumption Changes Since the Prior Measurement Date** The discount rate remained unchanged at 7.00 percent for the June 30, 2022 valuation.

**Benefit Term Changes Since the Prior Measurement Date** Salary increase rates were updated based on the actuarial experience study for the period of July 1, 2015 through June 30, 2021 and were changed from age based to service based.

Healthcare trends were updated to reflect emerging claims and recoveries experience.

**NOTE 11 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2023 were as follows:

	Restated Balance 6/30/2022	Additions	Deductions	Balance 6/30/2023	Amounts Due In One
<i>General Obligation Bonds:</i>					
2021 Refunding Bonds					
Maturing December 1, 2031:					
Serial and Term Bonds	\$ 5,050,000	\$ -	\$ 465,000	\$4,585,000	\$ 465,000
<i>Direct Borrowings:</i>					
Refunding Certificates of	1,085,000	-	95,000	990,000	100,000
Series 2016; Maturing December 1,					
<i>Financed Purchase Agreement</i>					
2019B Financed Purchase Agreement	535,000	-	55,000	480,000	55,000
2019A Financed-Purchase	3,665,000	-	330,000	3,335,000	355,000
<i>Total Direct Borrowings</i>	<u>5,285,000</u>	<u>-</u>	<u>480,000</u>	<u>4,805,000</u>	<u>510,000</u>
<i>Total Governmental Activities</i>					
Long-Term Obligations	<u>\$10,335,000</u>	<u>\$ -</u>	<u>\$ 945,000</u>	<u>\$9,390,000</u>	<u>\$ 975,000</u>

*Refunding Certificates of Participation*

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

**Mogadore Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

*2021 Refunding Bonds*

On May 27, 2021, the School District issued \$5,550,000 in school improvement refunding bonds. The proceeds of the bonds were used to refund \$5,550,000 of the School District’s outstanding school improvement refunding bonds. The bonds were issued for an 11 year period with final maturity at December 1, 2031. At the date of the refunding, \$5,631,690 was deposited in an irrevocable trust to provide for all future payments on the refunded bonds.

Optional Redemption The bonds maturing (and/or subject to mandatory sinking fund redemption) on or after December 1, 2026 shall be subject to prior redemption on or after June 1, 2026, by and at the sold option of the Board, in whole but not in part, on any date, plus accrued interest to the redemption date.

*Financed Purchase Agreements*

On February 14, 2019, the School District entered into a financed-purchase agreement with Capital One Public Funding, LLC in the amount of \$5,375,000 at a 3.29 percent interest rate for the construction of a new athletic fieldhouse. In the event of default, as defined by the agreement, the Lessor has the right to exercise all rights and remedies, including the rights to demand an accounting of the project fund and the return of all sums remaining in the project fund and/or take possession of the project site and project facilities that make up the new athletic fieldhouse. Payments for the financed-purchase will be made from the bond retirement fund.

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

Fiscal Year Ending June 30,	Capital Improvement/ Refunding Bonds		Certificates of Participation		Financed-Purchase Agreements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 465,000	\$ 118,169	\$ 100,000	\$ 25,042	\$ 410,000	\$ 121,241
2025	480,000	107,238	100,000	22,393	425,000	107,664
2026	490,000	95,719	105,000	19,676	450,000	93,430
2027	500,000	83,650	110,000	16,828	480,000	78,299
2028	515,000	70,641	110,000	13,912	500,000	62,352
2029 - 2032	2,135,000	133,342	465,000	25,175	1,550,000	82,965
Total	\$ 4,585,000	\$ 608,759	\$ 990,000	\$ 123,026	\$ 3,815,000	\$ 545,951

**Mogadore Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**NOTE 12 – SHORT-TERM OBLIGATIONS**

The School District issued tax anticipation notes in the amount of \$1,200,000 during the fiscal year. The notes have a term of one year or less, and were issued to pay expenses of the current fiscal year. The notes are dated January 19, 2023, and matured June 28, 2023, at an interest rate of 6.17 percent. The notes were retired with property tax revenues of the general fund at maturity.

**NOTE 13 - CONTINGENCIES**

**Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2023, if applicable, cannot be determined at this time.

**Litigation**

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

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, all ODE adjustments have been made and will not have a material effect on the financial position of the School District.

**NOTE 14 - 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.

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

**Mogadore Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

	Capital Improvements
Set-Aside Restricted Balance as of June 30, 2022	\$ -
Current Year Set-Aside Requirement	175,949
Current Year Offsets	(234,358)
Total	\$ (58,409)
Set-Aside Balance Carried Forward to FY 2024	\$ -
Set-Aside Restricted Balance as of June 30, 2023	\$ -

Although the School District had offsets 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.

**NOTE 15 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during 2023 were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 519,159
Bond Retirement Fund	641,653	-
Permanent Improvement Fund	-	122,494
Total	\$ 641,653	\$ 641,653

The transfers from the general and permanent improvement funds to the bond retirement fund were made to make principal and interest payments. Transfers between governmental funds are eliminated on the governmental-wide financials.

**Interfund Advances**

During the fiscal year, the following advances were made:

Fund	Advance In	Advance Out
General Fund	\$ -	\$ 112,000
Food Service Fund	80,000	-
Nonmajor Governmental Funds	32,000	-
Total	\$ 112,000	\$ 112,000

**Mogadore Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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The primary purpose these advances is to cover costs in the fund where revenues were not received by June 30. These advances are expected to be repaid within one year. Advances between governmental funds are eliminated on the governmental-wide financials.

**NOTE 16 – SIGNIFICANT COMMITMENTS**

**Encumbrance Commitments**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year-end, the School District commitments for encumbrances in the general fund, permanent improvement fund, food service fund and other governmental funds were \$295,112, \$42,372, \$58,519 and \$263,982 respectively.

**NOTE 17 – COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2023, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**NOTE 18 – SUBSEQUENT EVENT**

In July of the fiscal year 2024, the School District issued a Tax Anticipation Note in the amount of \$1,200,000 at an interest rate of 6.79%. The Note will mature on June 28, 2024.

**NOTE 19 – FISCAL CAUTION**

On June 30, 2023 the District was placed in fiscal caution by the Ohio Department of Education. This declaration results in the District being required to prepare a recovery plan to correct the fiscal deficiencies and technical assistance will be provided to the District by the Department of Education.

**MOGADORE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education and Workforce</i>			
<b><u>Child Nutrition Cluster:</u></b>			
National School Lunch Program / Commodities	10.555	N/A	\$ 16,122
<b>Total Food Distribution</b>			<u>16,122</u>
School Breakfast Program	10.553	050039-3L70-2023	18,372
National School Lunch Program	10.555	050039-3L60-2023	205,781
COVID-19 National School Lunch Program	10.555	050039-3L60-2023	26,776
<b>Total Food Service Programs</b>			<u>250,929</u>
<b>Total Child Nutrition Cluster</b>			<u>267,051</u>
COVID-19 Pandemic EBT Administrative Cost	10.649	050039-3HF0-2023	628
<b>Total Pandemic EBT Administrative Costs</b>			<u>628</u>
Total U.S. Department of Agriculture			<u>267,679</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education and Workforce</i>			
<b><u>Special Education Cluster:</u></b>			
Special Education- Grants to States (IDEA - B)	84.027A	0500039-3M20-2022	59,742
Special Education- Grants to States (IDEA - B)	84.027A	0500039-3M20-2023	126,484
Special Education- Grants to States (IDEA - B)	84.027X	0500039-3M20-2023	2,613
<b>Total Special Education Cluster</b>			<u>188,839</u>
Title I Non-Competitive	84.010A	0500039-3M00-2023	10,026
Title I Grant to Local Educational Agencies	84.010A	0500039-3M00-2021	217
Title I Grant to Local Educational Agencies	84.010A	0500039-3M00-2022	10,852
Title I Grant to Local Educational Agencies	84.010A	0500039-3M00-2023	85,532
<b>Total Title I Grants to Local Educational Agencies</b>			<u>106,627</u>
Supporting Effective Instruction State Grant	84.367A	050039-3Y60-2023	4,121
<b>Total - Supporting Effective Instruction State Grant</b>			<u>4,121</u>
Student Support and Academic Enrichment Title IV-A	84.424	050039-3HI0-2023	4,045
<b>Total - Student Support and Academic Enrichment Title IV-A</b>			<u>4,045</u>
<b><u>Education Stabilization Fund</u></b>			
COVID-19 Elementary and Secondary School Emergency Relief Fund III	84.425U	050039-3HS0-2023	346,174
COVID-19 Elementary and Secondary School Emergency Relief Fund II	84.425D	050039-3HS0-2022	7,108
<b>Total - Education Stabilization Fund</b>			<u>353,282</u>
Total U.S. Department of Education			<u>656,914</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 924,593</u></u>

The accompanying notes are an integral part of this schedule.

**MOGADORE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED June 30, 2023**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mogadore Local School District (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2023 to 2024 programs:

<u>AL #</u>	<u>Program Name</u>	<u>Amount</u>
84.367	II-A Supporting Effective Instruction	\$14,368.12
84.424	IV-A Student Support and Academic Enrichment	\$1,410.70



# OHIO AUDITOR OF STATE KEITH FABER



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mogadore Local School District, Summit County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 28, 2024, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District was placed in fiscal caution on June 30, 2023.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2023-002 and 2023-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2023-001, 2023-004 and 2023-005 to be significant deficiencies.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2023-001, 2023-002, 2023-005 through 2023-007.

***District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 28, 2024

# OHIO AUDITOR OF STATE KEITH FABER



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Mogadore Local School District's, Summit County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on (each of) Mogadore Local School District's major federal programs for the year ended June 30, 2023. Mogadore Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Mogadore Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 28, 2024

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**MOGADORE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2023**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster 84.825 – Elementary and Secondary School Emergency Relief
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**1. 5705.39 – Appropriations exceeding estimated resources**

**FINDING NUMBER – 2023-001**

Noncompliance and Significant Deficiency

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At June 30, 2023, the District's appropriations exceeded the amount certified as available by the budget commission in the General Fund, and Food Service funds by \$331,954 and \$12,034, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the District's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The District should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the District should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Education to reduce the appropriations.

**Official's Response:** The district agrees with this finding. The district is addressing procedurally how to monitor these funds and limit appropriation errors.

**2. 5705.41(B) – Expenditures exceeding appropriations**

**FINDING NUMBER – 2023-002**

Noncompliance and Material Weakness

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the District's General Fund and Food Service Fund had expenditures in excess of



appropriations of \$778,595 and \$37,155, respectfully, as of June 30, 2023.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Education should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**Official's Response:** The district agrees with this finding. The district is addressing procedurally how to monitor these funds and limit appropriation errors.

### 3. Budgetary Amounts Not Recorded in Accounting System

#### FINDING NUMBER – 2023-003

##### Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the District and the appropriation ledger provides the process by which the District controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the District and the receipts ledger provides the process by which the District controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The District did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The Certificate of Estimated Resources (and/or amendments thereof) were not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the District should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The District should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**Official's Response:** The district agrees with this finding and have taken the steps to correct this.

#### 4. Financial Reporting

##### FINDING NUMBER – 2023-004

###### Significant Deficiency

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

The following errors were noted on the Statement of Revenue, Expenditures, and Changes in Fund Balance - Cash Basis - Governmental Funds:

The District improperly recorded homestead and rollback receipts in the General Fund. This resulted in Intergovernmental receipts being overstated by \$43,386 in the General Fund and understated in the Bond Retirement Fund and Permanent Improvement Fund by \$10,673 and \$32,713, respectively.

The District improperly recorded property taxes in the Permanent Improvement Fund. This resulted in Property Tax receipts being overstated by \$28,847 in the Permanent Improvement Fund and understated by \$28,847 in the Bond Retirement Fund.

The District improperly recorded grant revenue in the Permanent Improvement Fund. This resulted in a Miscellaneous receipts being overstated by \$31,516 and Intergovernmental receipts being understated by \$31,516.

These errors were the result of inadequate internal policies and control procedures in the posting of cash receipts and in reviewing the financial statements and notes to the financial statements. Failure to complete accurate financial statements could lead to Board Members making misinformed decisions.

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

**Official's Response:** The district agrees with this finding. The district has taken the steps to correct financial reporting policies.

## 5. Recording in Incorrect Fund

### FINDING NUMBER – 2023-005

#### Noncompliance and Significant Deficiency

**Ohio Rev. Code § 5705.10(D)** provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The District incorrectly posted property tax and homestead and rollback receipts between the General, Bond Retirement and Permanent Improvement funds.

This resulted in the following cash fund balance adjustments to the accounting system:

- General fund was reduced by \$43,626
- Permanent Improvement fund was reduced by \$17,934
- Bond Retirement fund was increased by \$61,560

The mispostings above also had an impact on the financial statements. The financial statement impact of these adjustments are included in finding number 2023-004.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The District should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**Official's Response:** The district agrees with this finding. The district has taken the steps to correct financial reporting policies.

## 6. Ohio Rev. Code § 3315.20 Negative Fund Balances

### FINDING NUMBER – 2023-006

#### Noncompliance

**Ohio Rev. Code § 3315.20** provides a school district may have a deficit in any special fund of the school district only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit.
- There is a reasonable likelihood that the payment will be made; and
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds.

The District had the following negative fund balances at June 30, 2023 after taking into

consideration the conditions above:

<u>Fund Name</u>	<u>Deficit Amount</u>
Building Fund	(\$67,822)
Student Wellness Fund	(\$37,538)
Title I	(\$121,765)

In addition to the negative fund balances, the District did not submit project cash requests on a regular basis for draw downs of reimbursement grant funds.

Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls, such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance. The District should also perform timely draw downs of grant funding requests sufficient to cover the negative cash balances of reimbursement grant funds.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The District should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**Official's Response:** The district agrees with this finding. The district is addressing the negative fund balances and working to make corrections to these funds by the end of Fiscal Year 2024.

## 7. Financial Statement Presentation

### FINDING NUMBER – 2023-007

#### Noncompliance

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial

condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Official's Response:** The district has performed a cost benefit analysis on filing cash basis vs GAAP basis. This analysis has led to the conclusion that given the district's current financial situation, the district will continue to file on a cash basis.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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# *Mogadore Local School District*

1 S. Cleveland Avenue, Mogadore, OH 44260-1514  
 TELEPHONE: (330) 628-9946 FAX: (330) 628-6661

JOHN A. KNAPP, SUPERINTENDENT

SANDRA J. ISABELLA, TREASURER

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2023

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2021-001	Negative Fund Balances	Not Corrected	Correcting the negative balances by the end of Fiscal Year 2024
2021-002	Financial Statement Presentation	Not Corrected	The district will continue to file on a cash basis due the current financial situation
2021-003	Financial Reporting	Not Corrected	Corrected in the 2022 Financial Statements
2021-004	Posting Budgetary Amounts	Not Corrected	The district will be more diligent in posting to the ledgers and monitoring reports
2021-005	Procurement and Suspension and Debarment	Corrected	The district is using SAM.gov to verify all vendors.
2021-006	Schedule of Expenditures of Federal Awards Reporting	Partially Corrected	The district has added new systems in place to correct errors and ensure accuracy of the Schedule of Expenditures of Federal Awards for reporting grant expenditures
2022-001	Appropriations Exceeding Estimated Resources	Not Corrected	The district is working to eliminate this

# Mogadore Local School District

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JOHN A. KNAPP, SUPERINTENDENT

SANDRA J. ISABELLA, TREASURER

## CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2023

<b>Finding Number:</b>	2023-001
<b>Planned Corrective Action:</b>	[The district will take measures and change procedures to limit appropriation errors]
<b>Anticipated Completion Date:</b>	[06/30/2025]
<b>Responsible Contact Person:</b>	[Sandra Isabella]
<b>Finding Number:</b>	2023-002
<b>Planned Corrective Action:</b>	[The district will take measures and change procedures to limit appropriation errors]
<b>Anticipated Completion Date:</b>	[12/31/2024]
<b>Responsible Contact Person:</b>	[Sandra Isabella]
<b>Finding Number:</b>	2023-003
<b>Planned Corrective Action:</b>	[Added controls to correct errors and ensure accuracy]
<b>Anticipated Completion Date:</b>	[07/01/2024]
<b>Responsible Contact Person:</b>	[Sandra Isabella]
<b>Finding Number:</b>	2023-004
<b>Planned Corrective Action:</b>	[The district will add controls to correct accounting errors and ensure accuracy]
<b>Anticipated Completion Date:</b>	[06/30/2024]
<b>Responsible Contact Person:</b>	[Sandra Isabella]
<b>Finding Number:</b>	2023-005
<b>Planned Corrective Action:</b>	[The district will add controls to correct accounting errors and ensure accuracy]
<b>Anticipated Completion Date:</b>	[06/30/2024]
<b>Responsible Contact Person:</b>	[Sandra Isabella]
<b>Finding Number:</b>	2023-006
<b>Planned Corrective Action:</b>	[Correcting the negative fund balances by the end of Fiscal year 2024]
<b>Anticipated Completion Date:</b>	[06/30/2024]
<b>Responsible Contact Person:</b>	[Sandra Isabella]
<b>Finding Number:</b>	2023-007
<b>Planned Corrective Action:</b>	[The district will continue to file on a cash basis due to their current financial situation]
<b>Anticipated Completion Date:</b>	[06/30/2024]
<b>Responsible Contact Person:</b>	[Sandra Isabella]



# OHIO AUDITOR OF STATE KEITH FABER



**MOGADORE LOCAL SCHOOL DISTRICT**

**SUMMIT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 6/25/2024**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)