



OHIO AUDITOR OF STATE
KEITH FABER



**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021 and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

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 applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2021, the District has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

As discussed in Note 2 to the financial statements, during 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis 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 and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 11, 2023

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Mogadore Local School District
Summit County, Ohio
Statement of Net Position - Cash Basis
June 30, 2021

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,131,782
Restricted Cash and Cash Equivalents	31,768
Cash and Cash Equivalents in Segregated Accounts	1,946
<i>Total Assets</i>	\$ 2,165,496
Net Position	
Restricted for:	
Capital Outlay	\$ 8,271
Other Purposes	110,929
Set Asides	31,768
Unrestricted	2,014,528
<i>Total Net Position</i>	\$ 2,165,496

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, 2021

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 5,488,173	\$ 1,098,782	\$ 127,246	\$ (4,262,145)
Special	1,337,684	409,604	761,093	(166,987)
Vocational	160,287	-	19,906	(140,381)
Student Intervention Services	912,374	-	178,998	(733,376)
Other	269,705	-	-	(269,705)
Support Services:				
Pupils	347,935	-	3,865	(344,070)
Instructional Staff	492,209	1,406	-	(490,803)
Board of Education	44,639	-	-	(44,639)
Administration	917,855	-	-	(917,855)
Fiscal	347,457	-	-	(347,457)
Operation and Maintenance of Plant	1,045,545	-	29,896	(1,015,649)
Pupil Transportation	388,743	-	-	(388,743)
Central	18,609	-	5,400	(13,209)
Operation of Non-Instructional Services:				
Food Service Operations	288,851	19,250	217,838	(51,763)
Community Services	1,398	-	655	(743)
Extracurricular Activities	409,982	85,428	10,438	(314,116)
Capital Outlay	111,094	-	-	(111,094)
Debt Service:				
Payment to Bond Escrow Agent	5,631,690	-	-	(5,631,690)
Principal Retirement	944,495	-	-	(944,495)
Interest and Fiscal Charges	337,208	-	-	(337,208)
Totals	\$ 19,495,933	\$ 1,614,470	\$ 1,355,335	\$ (16,526,128)

General Receipts

Property Taxes Levied for:

General Purposes	\$ 3,914,239
Debt Service	361,825
Capital Outlay	187,629
Grants and Entitlements not Restricted to Specific Programs	4,965,234
Proceeds of General Obligation Bonds	5,550,000
Investment Earnings	50,715
Miscellaneous	240,579

Total General Receipts 15,270,221

Change in Net Position (1,255,907)

Net Position Beginning of Year (Restated-See Note 2) 3,421,403

Net Position End of Year \$ 2,165,496

Mogadore Local School District
Summit County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,710,230	\$ (578,448)	\$ 2,131,782
Restricted Cash and Cash Equivalents	31,768		31,768
Cash and Cash Equivalents in Segregated Accounts	-	1,946	1,946
<i>Total Assets</i>	<u>\$ 2,741,998</u>	<u>\$ (576,502)</u>	<u>\$ 2,165,496</u>
Fund Balances			
Nonspendable	\$ 403	\$ -	\$ 403
Restricted	31,768	118,797	150,565
Assigned	1,984,278	-	1,984,278
Unassigned	725,549	(695,299)	30,250
<i>Total Fund Balances</i>	<u>\$ 2,741,998</u>	<u>\$ (576,502)</u>	<u>\$ 2,165,496</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, 2021

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 3,914,239	\$ 549,454	\$ 4,463,693
Intergovernmental	5,044,049	1,244,934	6,288,983
Investment Income	50,715	-	50,715
Tuition and Fees	1,514,448	-	1,514,448
Extracurricular Activities	9,250	71,522	80,772
Gifts and Donations	4,603	26,983	31,586
Charges for Services	-	19,250	19,250
Miscellaneous	240,429	150	240,579
<i>Total Receipts</i>	<u>10,777,733</u>	<u>1,912,293</u>	<u>12,690,026</u>
Disbursements			
Current:			
Instruction:			
Regular	5,319,602	168,571	5,488,173
Special	1,003,975	333,709	1,337,684
Vocational	160,287	-	160,287
Student Intervention Services	598,672	313,702	912,374
Other	269,705	-	269,705
Support Services:			
Pupils	347,305	630	347,935
Instructional Staff	441,205	51,004	492,209
Board of Education	44,639	-	44,639
Administration	917,855	-	917,855
Fiscal	339,406	8,051	347,457
Operation and Maintenance of Plant	925,136	120,409	1,045,545
Pupil Transportation	388,743	-	388,743
Central	2,691	15,918	18,609
Extracurricular Activities	285,218	124,764	409,982
Operation of Non-Instructional Services:			
Food Service Operations	-	288,851	288,851
Community Services	-	1,398	1,398
Capital Outlay	-	111,094	111,094
Debt Service:			
Principal Retirement	74,495	870,000	944,495
Interest and Fiscal Charges	3,913	333,295	337,208
Advance Refunding Escrow	-	149,440	149,440
<i>Total Disbursements</i>	<u>11,122,847</u>	<u>2,890,836</u>	<u>14,013,683</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(345,114)</u>	<u>(978,543)</u>	<u>(1,323,657)</u>
Other Financing Sources (Uses)			
Proceeds of General Obligation Bonds	-	5,550,000	5,550,000
Payment to Refunded Bond Escrow Agent	-	(5,482,250)	(5,482,250)
Transfers In	-	127,529	127,529
Transfers Out	-	(127,529)	(127,529)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>67,750</u>	<u>67,750</u>
<i>Net Change in Fund Balances</i>	(345,114)	(910,793)	(1,255,907)
<i>Fund Balances Beginning of Year (Restated-See Note 2)</i>	<u>3,087,112</u>	<u>334,291</u>	<u>3,421,403</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,741,998</u>	<u>\$ (576,502)</u>	<u>\$ 2,165,496</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 11,521,867	\$ 11,552,860	\$ 10,726,465	\$ (826,395)
Disbursements and Other Financing Uses	<u>11,874,903</u>	<u>11,874,903</u>	<u>11,245,802</u>	<u>629,101</u>
Net Change in Fund Balance	(353,036)	(322,043)	(519,337)	(197,294)
<i>Fund Balance Beginning of Year</i>	2,784,214	2,784,214	2,784,214	-
Prior Year Encumbrances Appropriated	<u>135,485</u>	<u>135,485</u>	<u>135,485</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,566,663</u>	<u>\$ 2,597,656</u>	<u>\$ 2,400,362</u>	<u>\$ (197,294)</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2021

	<u>Custodial</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 13,639</u>
<i>Total Assets</i>	<u><u>\$ 13,639</u></u>
Net Position	
Restricted for Individuals, Organizations and Other Governments	<u>\$ 13,639</u>
<i>Total Net Position</i>	<u><u>\$ 13,639</u></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, 2021

	Custodial
Additions	
Extracurricular Amounts Collected for Other Organizations	\$ 3,748
Deductions	
Extracurricular Distributions to Other Organizations	5,229
<i>Change in Net Position</i>	(1,481)
<i>Net Position Beginning of Year</i>	15,120
<i>Net Position End of Year</i>	\$ 13,639

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, 2021

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity

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

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

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Northeast Ohio Network for Educational Technology, the Maplewood Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Stark County Schools Council of Governments. These organizations are presented in Notes 12 and 13 to the basic financial statements.

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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Basis of Presentation

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

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

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct 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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

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 is 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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

The School District has segregated bank accounts for monies held separately from the School District's central bank account for athletics. These depository accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District's treasury.

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$50,715 which includes \$3,941 assigned from other School District funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside as a reserve for budget stabilization and for capital improvements. See Note 15 for additional information regarding set-asides.

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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Long-term Debt

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported as other financing sources when cash is received and principal and interest payments are reported as disbursements 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:

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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

Implementation of New Accounting Principles

For the fiscal year ended June 30, 2021, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB No. 90, Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61, and certain provisions of GASB Statement No. Statement No. 93, Replacement of Interbank Offered Rates.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the School District's financial statements (see below).

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

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Restatement of Net Position/Fund Balances

The School District changed from the GAAP Basis of accounting to the cash basis of accounting for fiscal year 2021, resulting in a restatement of the ending balances of the fiscal year 2020 financial statements. In addition, the School District evaluated certain fund classifications that resulted in a change in classifications that required a restatement to the beginning fund balances/net position. The effect on fund balances/net position is below:

	Governmental Activities
Net Position, June 30, 2020	\$ (2,501,753)
Restatement to Convert to Cash basis	5,852,482
GASB Statement No. 84	70,674
Restated Net Position, June 30, 2020	\$ 3,421,403

The change from GAAP Basis to Cash Basis and Implementation of GASB Statement No. 84 had the following effect on fund balance as reported June 30, 2020:

	General Fund	Other Governmental Funds	Total
Fund Balances, June 30, 2020	\$ 2,598,727	\$ 186,079	\$ 2,784,806
Restatement to Convert to Cash basis	488,385	77,538	565,923
GASB Statement No. 84	-	70,674	70,674
Restated Fund Balances, June 30, 2020	\$ 3,087,112	\$ 334,291	\$ 3,421,403

The Implementation of GASB 84 had the following effect on fiduciary net position as reported June 30, 2020:

	Fiduciary Funds		
	Private Purpose Trust	Agency	Custodial
Net Position, June 30, 2020	\$ 11,560	\$ 74,234	\$ -
GASB Statement No. 84	(11,560)	(74,234)	15,120
Restated Net Position, June 30, 2020	\$ -	\$ -	\$ 15,120

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NOTE 3 – FUND BALANCE

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

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

	General	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Nonspendable:			
Unclaimed Monies	\$ 403	\$ -	\$ 403
Restricted for:			
Budget Stabilization - BWC Refund	31,768	-	31,768
Other Purposes	-	77,179	77,179
Capital Outlay	-	8,271	8,271
Federal Grant Programs	-	2,327	2,327
Other Grants	-	31,020	31,020
Total Restricted	<u>31,768</u>	<u>118,797</u>	<u>150,565</u>
Assigned for:			
Encumbrances:			
Instruction	4,292	-	4,292
Support Services	99,793	-	99,793
Extracurricular	65	-	65
Assigned for Subsequent Year Appropriations	1,699,419	-	1,699,419
Other Purposes	180,709	-	180,709
Total Assigned	<u>1,984,278</u>	<u>-</u>	<u>1,984,278</u>
Unassigned	<u>725,549</u>	<u>(695,299) *</u>	<u>30,250</u>
Total Fund Balance	<u>\$ 2,741,998</u>	<u>\$ (576,502)</u>	<u>\$ 2,165,496</u>

* Unassigned fund balance included the following individual fund deficits:

	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
Building	\$ 67,821
Bond Retirement	326,029
Food Service	49,408
Athletics	10,574
Esser-Cares Act	72,448
Title VI-B	22,387
IDEA Part B Preschool	16,468
Title I	112,639
Title VI-R	13,445
Other Federal Grants	4,080
	<u>\$ 695,299</u>

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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.

Net Change in Fund Balance	
GAAP Basis	\$ (345,114)
Funds Budgeted Elsewhere**	(13,701)
Adjustment for Encumbrances	<u>(160,522)</u>
Budget Basis	<u><u>\$ (519,337)</u></u>

** 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.

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.

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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 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.

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Deposits At year-end, \$935,069 of the School District’s bank balance of \$1,185,069 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.

Segregated Cash The athletic checking account is maintained separately from the School District’s deposits. The carrying amount of the deposits is reported as “Cash and Cash Equivalents in Segregated Accounts.”

Restricted Cash and Investments As of June 30, 2021, the School District had pooled cash that was a State restricted set-aside. These funds consist of workers’ compensation refunds that were received prior to April 20, 2001. The carrying amount of the deposits is reported as “Restricted Cash and Investments”.

Investments As of June 30, 2021, the School District had the following investments and maturities:

Ratings	Investment	Amount	Investment Maturities (in months)			% Total Investments
			0 - 12	13-36	Over 36	
	Net Asset Value (NAV):					
A-	Fifth Third Banksafe Trust Money Market	\$ 6,653	\$ 6,653	\$ -	\$ -	0.62%
	Cost					
AA+	US Treasury Notes	422,186	150,728	147,964	123,494	39.63%
AA+	Fannie Mae	329,393	-	77,767	251,626	30.92%
AA+	Freddie Mac	49,782	-	-	49,782	4.67%
AA+	Federal Home Loan Bank	257,315	152,885	79,399	25,031	24.15%
	Totals	<u>\$ 1,065,329</u>	<u>\$ 310,266</u>	<u>\$ 305,130</u>	<u>\$ 449,933</u>	<u>100.00%</u>

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The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2021. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

Credit Risk The School District's investments at June 30, 2021 are rated as shown above by S&P Global Ratings. The School District's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2019, 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 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2020, were levied after April 1, 2020 and are collected in 2021 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officer and County Auditor 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, 2021, are available to finance fiscal year 2021 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.

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The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$85,909,860	91.89%	\$ 92,981,270	92.35%
Public Utility Personal Property	7,581,090	8.11%	7,699,380	7.65%
Total	\$93,490,950	100.00%	\$100,680,650	100.00%
Tax rate per \$1,000 of assessed valuation	\$85.95		\$86.27	

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 fiscal year 2020, 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 disbursements 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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

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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 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, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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. Beginning April 1, 2018, 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. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2021, 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 2021. The School District’s contractually required contribution to SERS was \$167,896 for fiscal year 2021.

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 (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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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 through 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, 2023, 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 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 effective July 1, 2016. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2020 contribution rates were equal to the statutory maximum rates.

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The School District's contractually required contribution to STRS was \$773,611 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2021, 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	0.03376690%	0.04288497%	
Prior Measurement Date	<u>0.03473380%</u>	<u>0.04367333%</u>	
Change in Proportionate Share	<u>-0.00096690%</u>	<u>-0.00078836%</u>	
Proportionate Share of the Net Pension Liability	\$ 2,233,414	\$ 10,376,637	\$ 12,610,051

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 2130.

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, 2021, are presented below:

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Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

Discount Rate Total pension liability was calculated using the discount rate of 7.50 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 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 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.

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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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 3,059,504	\$ 2,233,414	\$ 1,540,308

Actuarial Assumptions - STRS

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	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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, 2021 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016.

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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment disbursements. 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 7.45 percent as of June 30, 2021. 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, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the County's proportionate share of the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.45 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 14,774,524	\$ 10,376,637	\$ 6,649,793

NOTE 10 – DEFINED BENEFIT OPEB PLANS

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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 Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

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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.

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, 2021, 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 2021, this amount was \$23,000. 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 2021, the School District's surcharge obligation was \$22,536.

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 premium reimbursements were discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2021, 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:

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	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.03504600%	0.04288500%
Prior Measurement Date	0.03551800%	0.04367300%
Change in Proportionate Share	<u>-0.00047200%</u>	<u>-0.00078800%</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 761,653	\$ (753,703)

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, 2021, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate	
Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 2010 through 2015, and was adopted by the Board on April 21, 2016. 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, 7.50 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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 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 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 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 2.00 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 future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as 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 by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

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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 (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 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 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 932,258	\$ 761,653	\$ 626,042
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 599,753	\$ 761,653	\$ 978,182

Actuarial Assumptions – STRS

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	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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, 2021 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment disbursements. 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 7.45 percent as of June 30, 2021. 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 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the County'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, 2021, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2021, 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (655,771)	\$ (753,703)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (831,637)	\$ (753,703)

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NOTE 11 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2021 were as follows:

	Restated Balance 6/30/2020	Additions	Deductions	Balance 6/30/2021	Amounts Due In One Year
<i>2012 Refunding Bonds</i>					
<i>Maturing December 1, 2031:</i>					
<i>Serial and Term Bonds</i>	\$ 5,985,000	\$ -	\$ 5,985,000	\$ -	\$ -
<i>2021 Refunding Bonds</i>					
<i>Maturing December 1, 2031</i>	-	5,550,000	-	5,550,000	500,000
<i>Direct Borrowings:</i>					
<i>Refunding Certificates of Participation</i>					
<i>Series 2016</i>					
<i>Maturing December 1, 2031:</i>	1,275,000	-	95,000	1,180,000	95,000
<i>2019 Lease-Purchase Agreement</i>	4,315,000	-	340,000	3,975,000	310,000
<i>Bus Lease-Purchase Agreement</i>	128,952	-	63,583	65,369	65,369
<i>Bus Lease-Purchase Agreement</i>	10,912	-	10,912	-	-
<i>Total Direct Borrowings</i>	<u>5,729,864</u>	<u>-</u>	<u>509,495</u>	<u>5,220,369</u>	<u>470,369</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Obligations</i>	<u>\$ 11,714,864</u>	<u>\$ 5,550,000</u>	<u>\$ 6,494,495</u>	<u>\$ 10,770,369</u>	<u>\$ 970,369</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.

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.

2012 Refunding Bonds

On December 20, 2012, the School District issued \$8,239,997 in refunding general obligation bonds. The proceeds of the bonds were used to refund \$8,240,000 of the School District's outstanding capital improvement bonds. The bonds were issued for a 19 year period with final maturity at December 1, 2031. At the date of the refunding, \$8,576,950 was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. Defeased bonds were called on December 1, 2013. The bonds were refunded on May 27, 2021.

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

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

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

The capital appreciation bonds matured on December 1, 2016 and December 1, 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds was \$845,000.

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 a 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.

Lease-Purchase Agreements

On February 14, 2019, the School District entered into a lease-purchase agreement with Capital One Public Funding, LLC in the amount of \$4,675,000 at a 3.29 percent interest rate for the construction of a new athletic fieldhouse. In the event of default, as defined by the lease 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 lease-purchase will be made from the bond retirement fund.

During fiscal year 2018, the School District entered into two lease-purchase agreements for five school buses in the amount of \$361,107. In the event of default, as defined by each lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the buses (secured assets) and hold the School District liable for amounts payable. Payments for the lease-purchase will be made from the general fund.

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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,	Certificates of Participation		Capital Improvement/ Refunding Bonds		Lease Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 95,000	\$ 30,144	\$ 500,000	\$ 82,570	\$ 375,369	\$ 131,299	\$ 970,369	\$ 244,013
2023	95,000	27,626	465,000	74,190	330,000	118,934	890,000	220,750
2024	100,000	25,042	470,000	66,990	355,000	107,666	925,000	199,698
2025	100,000	22,393	485,000	59,637	370,000	95,739	955,000	177,769
2026	105,000	19,676	490,000	52,129	395,000	83,155	990,000	154,960
2027 - 2031	570,000	54,325	2,590,000	143,528	2,215,000	199,541	5,375,000	397,394
2032	115,000	1,590	550,000	4,235	-	-	665,000	5,825
Total	\$ 1,180,000	\$ 180,796	\$ 5,550,000	\$ 483,279	\$ 4,040,369	\$ 736,334	\$ 10,770,369	\$ 1,400,409

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

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 receipts are generated from charges for services and state funding. To obtain financial information write NEOnet, 700 Graham Road, Cuyahoga Falls, Ohio 44221. The Summit County Educational Service Center serves as the fiscal agent. NEOnet is not dependent on the School District's participation, and no equity interest exists. The School District paid \$350,281 to NEOnet during fiscal year 2021.

Maplewood Career Center

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

NOTE 13 - PUBLIC ENTITY RISK POOLS

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 receipts 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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 14 - 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, 2021, 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. ODE finalized the impact of the enrollment adjustments for the June 30, 2021 foundation funding period for the School District noting the financial impact was immaterial and therefore will not be disclosed.

NOTE 15 - SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2021, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>Capital Improvements</u>	<u>Budget Stabilization BWC Refund</u>
Set-Aside Restricted Balance as of June 30, 2020	\$ -	\$ 31,768
Current Year Set-Aside Requirement	157,238	-
Current Year Offsets	<u>(210,268)</u>	<u>-</u>
Total	<u>\$ (53,030)</u>	<u>\$ 31,768</u>
Set-Aside Balance Carried Forward to FY 2022	<u>\$ -</u>	<u>\$ -</u>
Set-Aside Restricted Balance as of June 30, 2021	<u>\$ -</u>	<u>\$ 31,768</u>

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

NOTE 16 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during 2021 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Non-major Governmental Funds</i>		
Debt Service	\$ 127,529	\$ -
Permanent Improvement	<u>-</u>	<u>127,529</u>
<i>Total All Funds</i>	<u>\$ 127,529</u>	<u>\$ 127,529</u>

The transfer from the permanent improvement fund to the debt service fund was made to make principal and interest payments. Transfers between governmental funds are eliminated on the governmental-wide financials.

NOTE 17 – SIGNIFICANT ENCUMBRANCES

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's commitments for encumbrances in the governmental funds were as follows:

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Fund	Amount
General	\$ 106,058
Nonmajor Governmental	13,043
	\$ 119,101

NOTE 18 – ACCOUNTABILITY AND 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 2021, 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.

At June 30, 2021, the School District had deficit balances in the amount of \$695,299, as previously disclosed in Note 3. The General Fund provides transfers to cover deficit balance; however, this is done when cash is needed.

NOTE 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021

NOTE 20 – SUBSEQUENT EVENT

For fiscal year 2022, school district foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$451,918 in receipts and disbursements related to these programs. Also during fiscal year 2021, the school district reported \$1,456,035 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each school district. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 21 – 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.

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MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	050039-3M20-2021	58,185
Special Education - Grants to States (IDEA, Part B)	84.027	050039-3M20-2020	70,416
Special Education - Grants to States (IDEA, Part B)	84.027	050039-3M20-2021	1,474
Total Special Education Cluster			130,075
Title I, Grants to Local Educational Agencies	84.010	050039-3M00-2021	39,980
Title I - Noncompetitive	84.010	050039-3M00-2021	16,468
Title I, Grants to Local Educational Agencies	84.010	050039-3M00-2020	126,378
Total Title I - Grants to Local Educational Agencies			182,826
Student Support and Academic Enrichment Programs (Title IV-A)	84.424A	050039-3H10-2020	1,904
Student Support and Academic Enrichment Programs (Title IV-A)	84.424A	050039-3H10-2021	5,529
Total Student Support and Academic Enrichment Programs			7,433
Supporting Effective Instruction State Grants (Title II-A)	84.367	050039-3Y60-2020	5,600
Supporting Effective Instruction State Grants (Title II-A)	84.367	050039-3Y60-2021	7,778
Total Supporting Effective Instruction State Grants			13,378
COVID-19 Education Stabilization Fund (ESSER)	84.425D	050039-3HS0-2021	72,448
Total Education Stabilization Fund			72,448
TOTAL U.S. DEPARTMENT OF EDUCATION			406,160
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program/Commodities	10.555	N/A	22,526
Total Food Distribution			22,526
School Breakfast Program	10.553	050039-3L70-2021	33,891
COVID-19 School Breakfast Program	10.553	050039-3L70-2021	1,636
National School Lunch Program	10.555	050039-3L60-2021	166,251
COVID-19 National School Lunch Program	10.555	050039-3L60-2021	13,591
Total Food Service Programs			215,369
Total Child Nutrition Cluster			237,895
TOTAL U.S. DEPARTMENT OF AGRICULTURE			237,895
<u>U.S. DEPARTMENT OF TREASURY</u>			
<i>Passed through the Ohio Department of Education</i>			
COVID-19 Coronavirus Relief Fund - Rural and Small Town School District	21.019	050039-5CV1-2021	35,770
COVID-19 BroadbandOhio Connectivity	21.019	050039-5CV1-2021	45,518
<i>Passed Through County of Summit, Ohio</i>			
COVID-19 Coronavirus Relief Fund (COVID-19 Public School Re-Opening Grant)	21.019	N/A	63,829
Total Coronavirus Relief Grants			145,117
TOTAL U.S. DEPARTMENT OF TREASURY			145,117
TOTAL FEDERAL ASSISTANCE			789,172

**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, 2021**

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, 2021. 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 2021 to 2022 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$5,561
Title IV-A – Student Support and Academic Enrichment	84.424A	\$14,687
Special Education – Grants to States	84.027	\$37,952

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad 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, OH 44260

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the 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, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2023, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

Internal Control Over Financial Reporting

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

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2021-001 and 2021-003 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2021-004 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2021-001 and 2021-002.

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

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



Keith Faber
Auditor of State
Columbus, Ohio

December 11, 2023



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Board of Education:

Report on Compliance for the Major Federal Programs

We have audited Mogadore Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Mogadore Local School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in finding 2021-005 in the accompanying schedule of findings, the District did not comply with requirements regarding Procurement, Suspension, and Debarment applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Mogadore Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster* for the year ended June 30, 2021.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, Mogadore Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2021.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as item 2021-005 and 2021-006.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

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

Keith Faber
Auditor of State
Columbus, Ohio

December 11, 2023

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**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	AL# 84.425D Education Stabilization Fund - Unmodified Child Nutrition Cluster – Qualified Special Education Cluster – Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	AL# 84.425D Education Stabilization Fund Child Nutrition Cluster Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

1. Negative Fund Balances

FINDING NUMBER 2021-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 3315.20 provides an allowable exception for school districts. A school district may have a deficit in any special fund of the school district, but only if all 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 year end after taking into consideration the conditions above:

<u>Fund Name</u>	<u>Deficit Amount</u>
Bond Retirement Fund	(\$497,632)
Building Fund	(\$67,822)
Lunch Fund	(\$43,272)
ESSER Fund	(\$72,448)
Student Activity Fund	(\$12,515)
IDEA – Part B Fund	(\$22,396)
Title I Fund	(\$112,638)
Title I Non-Competitive Fund	(\$16,468)
Title II-A Fund	(\$13,446)
Title IV-A Fund	(\$4,080)

In addition to the negative fund balances, the District did not submit project cash requests on a regular basis for drawdowns 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 drawdowns 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 1-7 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 correct these negative balances by the end of Fiscal Year 2024.

2. Financial Statement Presentation

FINDING NUMBER 2021-002

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).

As a cost saving measure, the District prepared their financial statements in accordance with the cash basis of accounting. 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

3. Financial Reporting

FINDING NUMBER 2021-003

MATERIAL WEAKNESS

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.

The District did not record the issuance of the School Improvement Refunding Bonds, Series 2021, or the payment to refund the School Improvement Bonds, Series 2012, in the amount of \$5,550,000.

These errors were caused by a lack management procedures or policies in place to help ensure the accurate presentation of the District's year-end financial statements and note disclosure information.

The District's Financial Statements and Long-Term Obligations Note within the Notes to the Financial Statements has been corrected for the above errors.

Management should implement procedures or policies to help ensure complete and accurate reporting of the financial statements and accompanying notes. Procedures should include the Treasurer's review of the District's year-end financial statements and notes to the financial statements for accuracy, reasonableness, and consistency between years.

Official's Response: The district agrees with this finding. This has been corrected in the 2022 Financial Statements.

4. Posting Budgetary Amounts

FINDING NUMBER 2021-004

SIGNIFICANT DEFICIENCY

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 approved Certificate of Estimated Resources (and/or amendments thereof) were not posted to the accounting system. As a result, General Fund budgeted revenues within the accounting system were understated by \$594,879 for Original Budgeted Revenues and \$563,886 for Final Budgeted Revenues. Additionally, these errors were also included on the Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balance - Budget and Actual (Budget Basis).

Failure to accurately post the estimated resources to the ledger could result in overspending and negative cash balances, as well as inaccurate financial information to be included on the Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balance - Budget and Actual (Budget Basis). The statement has been corrected to adjust for this error.

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. The District should also implement additional controls over the preparation of their financial statements which would assist in the detection and prevention of financial statement reporting errors.

Official's Response: The district agrees with this finding. The district will be more diligent in posting to the ledgers and monitoring reports.

3. FINDINGS FOR FEDERAL AWARDS

1. Procurement and Suspension and Debarment

Finding Number:	2021-005
Assistance Listing Number and Title:	AL# 10.553 & 10.555 Child Nutrition Cluster
Federal Award Identification Number / Year:	2021
Federal Agency:	U.S. Department of Agriculture
Compliance Requirement:	Suspension, and Debarment
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR 417.10 gives regulatory effect for the USDA to the OMB guidance in 2 CFR part 180.

2 CFR 180.305 states that Non-Federal entities are prohibited from entering into a covered transaction with parties that are suspended or debarred or whose principals are suspended or debarred, unless the Federal agency responsible for the transaction grants an exception under 2 CFR § 180.135.

2 CFR 180.200 identifies "covered transactions" as nonprocurement or procurement transactions at the primary tier, between a Federal agency and a person; or at the lower tier, between a participant in a covered transaction and another person. Procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) are covered transactions if the contracts are expected to equal or exceed \$25,000 or meet certain other specified criteria outlined in 2 CFR §180.220. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless exempt by 2 CFR §180.215.

When a non-Federal entity enters into a covered transaction, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking SAM exclusions (<https://sam.gov>); collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

The District did not have the proper internal controls in place to verify that all entities, with whom the District had entered into covered transactions, had not been suspended or debarred. During testing of Procurement, Suspension, and Debarment for the Child Nutrition Cluster, we noted one instance in which a vendor was paid more than \$25,000 and there was no evidence that the District checked the SAM exclusions, collected a certification from the entity, or added a clause or condition to the covered transaction with the vendor. Due to the deficient internal control structure, the required verification was not completed for the only covered transaction in the Child Nutrition Cluster during Fiscal Year 2021.

Failing to have the appropriate controls in place may result in vendors receiving federal funds that are suspended or debarred.

Prior to contracting with vendors that will be paid with federal funds, the District should verify the vendor is

not suspended or debarred by checking the SAM exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

Official's Response: The district agrees with this finding. Going forward the district will verify all vendors using SAM.gov.

2. Schedule of Expenditures of Federal Awards Reporting

FINDING NUMBER 2021-006

MATERIAL WEAKNESS

Management acknowledged its responsibility to establish and maintain effective internal controls to reasonably assure compliance with federal statutes, regulations and terms and conditions of federal awards and controls relating to preparing the Schedule of Expenditures of Federal Awards (the Schedule), as required by Uniform Guidance (2 CFR § 200.303(a)), in the audit engagement letter.

Furthermore, Uniform Guidance 2 CFR Subpart F § 200.510(b) requires the auditee to prepare a Schedule of Expenditures of Federal Awards (the Schedule) for the period covered by the School's financial statements which must include the total federal awards expended as determined in accordance with § 200.502.

At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the AL number or other identifying number when the AL information is not available.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee has elected to use the 10 percent de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

Due to the deficiency in internal controls, we noted the following errors:

- The Child Nutrition Cluster (AL# 10.555/AL# 10.553) was understated by \$20,056 due to overstating expenditures by including state funding and not including the food service commodities on the schedule.
- The Title I Program (AL# 84.010) was understated by \$2,878 due to the schedule not capturing all expenditures in the account.
- The Special Education Cluster (AL# 84.027) was understated by \$1,474 due to the schedule not capturing all expenditures in the account.
- The Title II-A Program (AL#84.367) was understated by \$8,557 due to the schedule not capturing all expenditures in the account.
- The Title IV-A Program (AL#84.424) was understated by \$2,612 due to the schedule not capturing all expenditures in the account.
- The ESSER Program (AL#84.425D) was excluded from the schedule. Additionally, the ESSER Fund improperly included CARES Act (AL#21.019) revenues and expenditures in the amount of \$63,829. In total, ESSER fund expenditures should have been reported as \$72,448.

Ineffective internal controls related to federal grants could lead to noncompliance with program requirements. Errors and omissions on the Schedule of Expenditures of Federal Awards (the Schedule) could adversely affect future grant awards in addition to causing an inaccurate assessment of major federal programs that would be subjected to audit. Adjustments, to which management has agreed, are reflected in the Schedule.

School management should implement a system to review the Schedule for errors and omissions. This will help ensure the Schedule is complete and accurate and major federal programs are correctly identified for audit.

Official's Response: The district agrees with this finding. 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.

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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, 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Financial Reporting	Open	District working to correct
2020-002	Capital Assets	Open	District working to correct

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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, 2021

Finding Number: 2021-001
Planned Corrective Action: [Correcting the negative balances by the end of Fiscal Year 2024]
Anticipated Completion Date: [06/30/2024]
Responsible Contact Person: [Sandra Isabella]

Finding Number: 2021-002
Planned Corrective Action: [The district will continue to file on a cash basis due the current financial situation]
Anticipated Completion Date: [06/30/2024]
Responsible Contact Person: [Sandra Isabella]

Finding Number: 2021-003
Planned Corrective Action: [Corrected in the 2022 Financial Statements]
Anticipated Completion Date: [06/30/2022]
Responsible Contact Person: [Sandra Isabella]

Finding Number: 2021-004
Planned Corrective Action: [Increased diligence in posting to ledgers and reports]
Anticipated Completion Date: [06/30/2024]
Responsible Contact Person: [Sandra Isabella]

Finding Number: 2021-005
Planned Corrective Action: [The district will verify vendors]
Anticipated Completion Date: [06/30/2024]
Responsible Contact Person: [Sandra Isabella]

Finding Number: 2021-006
Planned Corrective Action: [Added controls to correct errors and ensure accuracy]
Anticipated Completion Date: [06/30/2024]
Responsible Contact Person: [Sandra Isabella]

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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 2/6/2024

88 East Broad 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