



Dave Yost • Auditor of State



**MOGADORE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mogadore Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mogadore Local School District, Summit County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and as derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 8, 2013

**Mogadore Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
(Unaudited)

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The discussion and analysis of the Mogadore Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2012 are as follows:

- Net assets decreased \$636,319, which represents an 11% decrease from 2011.
- Charges for Services increased \$372,043 from 2011 while operating grants decreased \$361,030 from 2011. Program expenses increased by \$54,272 from 2011 with the majority of the increase coming from student intervention services.
- Capital assets decreased \$360,484 during fiscal year 2012.
- During the year, outstanding bonded debt decreased from \$11,042,619 to \$10,735,289 due to principal payments made by the School District

***Using this Annual Report***

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

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

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Mogadore Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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

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

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

***Fund Financial Statements***

The major funds financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and debt service fund.

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

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**Mogadore Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

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

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and Other Assets	\$ 7,432,721	\$ 7,726,157
Capital Assets	13,279,492	13,639,976
<i>Total Assets</i>	20,712,213	21,366,133
<b>Liabilities</b>		
Other Liabilities	4,250,114	3,939,140
Long-Term Liabilities	11,319,284	11,647,859
<i>Total Liabilities</i>	15,569,398	15,586,999
<b>Net Assets</b>		
Invested in Capital Assets,		
Net of Debt	2,992,255	2,967,624
Restricted	786,824	959,647
Unrestricted	1,363,736	1,851,863
<i>Total Net Assets</i>	\$ 5,142,815	\$ 5,779,134

At year end, capital assets represented 64 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt were \$2,992,255 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$786,824 or 15 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$1,363,736 may be used to meet the government's ongoing obligations to students and creditors.

Overall current assets decreased \$293,436. This was primarily from the decrease in cash and investments of \$394,788 caused by operating expenses outpacing costs. This however, was an improvement over the prior year shortfall in revenues versus expenses. The decrease in cash and investments was offset by a \$299,347 increase in property taxes receivable resulting from the approval of the May 2010 tax levy. This tax levy also impacted the deferred revenue liability account, which reported a \$330,803 increase over the prior year.

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

**Mogadore Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
(Unaudited)

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

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,921,296	\$ 1,549,253
Operating Grants	517,902	878,932
<i>Total Program Revenues</i>	<u>2,439,198</u>	<u>2,428,185</u>
<i>General Revenues:</i>		
Property Taxes	3,469,078	3,035,327
Grants and Entitlements Not Restricted	4,345,438	4,423,998
Investment Earnings	73,286	91,409
Miscellaneous	6,126	15,429
<i>Total General Revenues</i>	<u>7,893,928</u>	<u>7,566,163</u>
<i>Total Revenues</i>	<u>10,333,126</u>	<u>9,994,348</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	4,585,854	4,600,672
Special	931,066	1,124,768
Vocational	109,359	99,414
Student Intervention Services	678,594	420,497
Other	213,699	221,705
<i>Support Services:</i>		
Pupils	370,278	405,953
Instructional Staff	292,372	404,982
Board of Education	63,536	44,845
Administration	720,537	644,252
Fiscal	414,685	338,885
Business	365	553
Operation and Maintenance of Plant	857,706	854,495
Pupil Transportation	386,504	429,228
Central	44,748	39,741
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	338,945	309,949
Extracurricular Activities	430,106	447,934
<i>Debt Service:</i>		
Interest and Fiscal Charges	531,091	527,300
<i>Total Expenses</i>	<u>10,969,445</u>	<u>10,915,173</u>
<i>Increase (Decrease) in Net Assets</i>	(636,319)	(920,825)
<i>Net Assets at Beginning of Year</i>	<u>5,779,134</u>	<u>6,699,959</u>
<i>Net Assets at End of Year</i>	<u>\$ 5,142,815</u>	<u>\$ 5,779,134</u>

**Mogadore Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
(Unaudited)

Charges for services reported a \$372,043 increase over the prior year as a result of additional open enrollment over the prior year. Property tax revenue also reported an increase in the amount of \$433,751 as a result of the May 2010 tax levy. These increases were offset by a reduction in ARRA revenues, thus causing operating grants to report a decrease of \$361,030.

Total expenses reported a small increase of \$54,272, or .5 percent. There were no significant fluctuations or events within each program (function) contributing to this change.

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

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

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
<b>Instruction:</b>				
Regular	\$ 4,585,854	\$ 4,600,672	\$ 2,908,307	\$ 2,972,526
Special	931,066	1,124,768	646,335	832,441
Vocational	109,359	99,414	109,359	99,414
Student Intervention Services	678,594	420,497	678,594	420,497
Other	213,699	221,705	213,699	221,705
<b>Support Services:</b>				
Pupils	370,278	405,953	322,508	334,346
Instructional Staff	292,372	404,982	279,632	401,510
Board of Education	63,536	44,845	63,536	44,845
Administration	720,537	644,252	720,537	628,172
Fiscal	414,685	338,885	414,685	335,885
Business	365	553	365	553
Operation and Maintenance of Plant	857,706	854,495	857,706	854,495
Pupil Transportation	386,504	429,228	386,504	429,228
Central	44,748	39,741	44,748	33,741
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	338,945	309,949	34,257	35,321
Extracurricular Activities	430,106	447,934	318,384	315,009
<b>Debt Service:</b>				
Interest and Fiscal Charges	531,091	527,300	531,091	527,300
<b>Total Expenses</b>	<b>\$ 10,969,445</b>	<b>\$ 10,915,173</b>	<b>\$ 8,530,247</b>	<b>\$ 8,486,988</b>

The dependence upon general revenues for governmental activities is apparent. Over 72 percent of governmental activities are supported through taxes and other general revenues; such revenues are 76 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**Mogadore Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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***Governmental Funds***

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,513,341 and expenditures of \$10,934,491 for fiscal year. The net change in fund balances for the fiscal year was a decrease of \$421,150 for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2012 was a decrease of \$513,808. Overall operating costs are outpacing revenues, although that gap has shown decreases over the prior year as a result of increased tax revenues from the May 2010 levy passage.

The fund balance of the debt service fund increased \$32,508. This increase was caused by the timing of property tax collections and transfers from other funds as compared to debt service payments.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue of \$8,503,305 was \$268,833 higher than the final budget basis revenue of \$8,234,472. Most of this difference was due to an underestimation of tuition and fee revenue. The final budgeted revenues reported minimal changes from the original budget.

Final appropriations of \$9,259,581 were \$154,314 higher than the actual expenditures and other financing uses of \$9,105,267. The School District was able to monitor costs sufficiently enough to spend less than appropriated amounts. The final budgeted revenues and appropriations reported minimal changes from the original budgets.

**Mogadore Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the School District had 13,279,492 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 98,050	\$ 98,050
Land Improvements	1,189,672	1,189,672
Buildings and Improvements	15,792,518	15,792,518
Furniture and Equipment	1,390,693	1,390,693
Vehicles	514,878	514,878
Accumulated Depreciation	(5,706,319)	(5,345,835)
<i>Totals</i>	<u>\$ 13,279,492</u>	<u>\$ 13,639,976</u>

The \$360,484 decrease in capital assets was attributable to depreciation expense. There were no current year asset additions. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2012, the School District had \$10,735,289 in bonded debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2012	2011
School Improvement Bonds	\$ 8,350,000	\$ 8,680,000
Capital Appreciation Bonds	179,997	179,997
Accretion on Capital Appreciation Bonds	365,579	283,547
Lease Revenue Bonds	1,755,000	1,810,000
Unamortized Premium on Lease Revenue Bonds	84,713	89,075
<i>Totals</i>	<u>\$ 10,735,289</u>	<u>\$ 11,042,619</u>

**Mogadore Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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***Current Issues***

Mogadore Local Schools has a stable financial outlook for the next few years. In May 2010, the electors passed an 8.49 continuing operating levy. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District's Continuous Improvement Plan.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio continues to modify the state funding formula.

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

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

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

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

**Mogadore Local School District**  
*Statement of Net Assets*  
June 30, 2012

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 3,605,887
Cash and Cash Equivalents in Segregated Accounts	1,015
Receivables:	
Intergovernmental	36,701
Property Taxes	3,706,645
Deferred Charges	82,473
Nondepreciable Capital Assets	98,050
Depreciable Capital Assets (Net)	13,181,442
 <i>Total Assets</i>	 20,712,213
<b>Liabilities</b>	
Accounts Payable	24,057
Accrued Wages and Benefits	703,014
Intergovernmental Payable	244,662
Matured Compensated Absences Payable	22,553
Accrued Interest Payable	36,708
Deferred Revenue	3,219,120
Long Term Liabilities:	
Due Within One Year	475,750
Due In More Than One Year	10,843,534
 <i>Total Liabilities</i>	 15,569,398
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,992,255
Restricted For:	
Capital Outlay	416,998
Debt Service	229,955
Set Asides	38,414
Other Purposes	101,457
Unrestricted	1,363,736
 <i>Total Net Assets</i>	 \$ 5,142,815

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 4,585,854	\$ 1,540,596	\$ 136,951	\$ (2,908,307)
Special	931,066	33,508	251,223	(646,335)
Vocational	109,359	0	0	(109,359)
Student Intervention Services	678,594	0	0	(678,594)
Other	213,699	0	0	(213,699)
Support Services:				
Pupils	370,278	44,715	3,055	(322,508)
Instructional Staff	292,372	12,740	0	(279,632)
Board of Education	63,536	0	0	(63,536)
Administration	720,537	0	0	(720,537)
Fiscal	414,685	0	0	(414,685)
Business	365	0	0	(365)
Operation and Maintenance of Plant	857,706	0	0	(857,706)
Pupil Transportation	386,504	0	0	(386,504)
Central	44,748	0	0	(44,748)
Operation of Non-Instructional Services:				
Food Service Operations	338,945	183,839	120,849	(34,257)
Extracurricular Activities	430,106	105,898	5,824	(318,384)
Debt Service:				
Interest and Fiscal Charges	531,091	0	0	(531,091)
<b>Total</b>	<b>\$ 10,969,445</b>	<b>\$ 1,921,296</b>	<b>\$ 517,902</b>	<b>(8,530,247)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	2,792,112
Debt Service	512,950
Capital Outlay	164,016
Grants and Entitlements Not Restricted to Specific Programs	4,345,438
Investment Earnings	73,286
Miscellaneous	6,126
<b>Total General Revenues</b>	<b>7,893,928</b>
<b>Change in Net Assets</b>	<b>(636,319)</b>
<b>Net Assets Beginning of Year</b>	<b>5,779,134</b>
<b>Net Assets End of Year</b>	<b>\$ 5,142,815</b>

See accompanying notes to the basic financial statements.

**Mogadore Local School District***Balance Sheet**Governmental Funds**June 30, 2012*

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 2,880,411	\$ 194,957	\$ 492,105	\$ 3,567,473
Cash and Cash Equivalents in Segregated Accounts	0	0	1,015	1,015
Restricted Cash and Investments	38,414	0	0	38,414
Receivables:				
Intergovernmental	31,900	0	4,801	36,701
Property Taxes	2,984,782	545,177	176,686	3,706,645
<i>Total Assets</i>	<u>\$ 5,935,507</u>	<u>\$ 740,134</u>	<u>\$ 674,607</u>	<u>\$ 7,350,248</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 23,890	\$ 0	\$ 167	\$ 24,057
Accrued Wages and Benefits	684,715	0	18,299	703,014
Intergovernmental Payable	236,464	0	8,198	244,662
Matured Compensated Absences Payable	22,553	0	0	22,553
Deferred Revenue	2,659,207	485,709	159,677	3,304,593
<i>Total Liabilities</i>	<u>3,626,829</u>	<u>485,709</u>	<u>186,341</u>	<u>4,298,879</u>
<b>Fund Balances</b>				
Restricted	38,414	254,425	512,225	805,064
Assigned	151,908	0	0	151,908
Unassigned	2,118,356	0	(23,959)	2,094,397
<i>Total Fund Balances</i>	<u>2,308,678</u>	<u>254,425</u>	<u>488,266</u>	<u>3,051,369</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,935,507</u>	<u>\$ 740,134</u>	<u>\$ 674,607</u>	<u>\$ 7,350,248</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

<b>Total Governmental Fund Balances</b>		\$ 3,051,369
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental Activities are not financial resources and therefore are not reported in the funds.		13,279,492
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 83,209	
Intergovernmental	<u>2,264</u>	85,473
In the Statement of Activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		82,473
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(36,708)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(8,350,000)	
Capital Appreciation Bonds	(179,997)	
Lease Revenue Bonds	(1,755,000)	
Premium on Lease Revenue Bonds	(84,713)	
Accretion of Interest - Capital Appreciation Bonds	(365,579)	
Compensated Absences	<u>(583,995)</u>	<u>(11,319,284)</u>
 <i>Net Assets of Governmental Activities</i>		 <u>\$ 5,142,815</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 2,786,930	\$ 513,238	\$ 164,431	\$ 3,464,599
Intergovernmental	4,043,985	231,869	757,384	5,033,238
Investment Income	73,286	0	0	73,286
Tuition and Fees	1,585,363	0	0	1,585,363
Extracurricular Activities	63,700	0	88,395	152,095
Charges for Services	0	0	170,403	170,403
Contributions and Donations	18,675	0	9,556	28,231
Miscellaneous	5,906	0	220	6,126
<i>Total Revenues</i>	<u>8,577,845</u>	<u>745,107</u>	<u>1,190,389</u>	<u>10,513,341</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,251,684	0	253,749	4,505,433
Special	657,602	0	262,274	919,876
Vocational	109,432	0	0	109,432
Student Intervention Services	677,691	0	0	677,691
Other	213,699	0	0	213,699
Support Services:				
Pupils	361,628	0	355	361,983
Instructional Staff	291,009	0	340	291,349
Board of Education	63,536	0	0	63,536
Administration	711,786	0	0	711,786
Fiscal	390,166	19,565	7,535	417,266
Business	365	0	0	365
Operation and Maintenance of Plant	719,838	0	0	719,838
Pupil Transportation	365,749	0	0	365,749
Central	44,748	0	0	44,748
Extracurricular Activities	203,947	0	95,711	299,658
Operation of Non-Instructional Services:				
Food Service Operations	0	0	337,249	337,249
Capital Outlay	0	0	59,457	59,457
Debt Service:				
Principal Retirement	0	385,000	0	385,000
Interest and Fiscal Charges	0	450,376	0	450,376
<i>Total Expenditures</i>	<u>9,062,880</u>	<u>854,941</u>	<u>1,016,670</u>	<u>10,934,491</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(485,035)</u>	<u>(109,834)</u>	<u>173,719</u>	<u>(421,150)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	142,342	28,773	171,115
Transfers Out	(28,773)	0	(142,342)	(171,115)
<i>Total Other Financing Sources (Uses)</i>	<u>(28,773)</u>	<u>142,342</u>	<u>(113,569)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(513,808)	32,508	60,150	(421,150)
<i>Fund Balances Beginning of Year</i>	<u>2,822,486</u>	<u>221,917</u>	<u>428,116</u>	<u>3,472,519</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,308,678</u>	<u>\$ 254,425</u>	<u>\$ 488,266</u>	<u>\$ 3,051,369</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(421,150)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. There were no assets purchased during the fiscal year.		
Current Year Depreciation		(360,484)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	\$ 4,480	
Intergovernmental	<u>(184,695)</u>	(180,215)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		385,000
 In the Statement of Activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	1,202	
Amortization of Issuance Costs	(4,247)	
Amortization of Premium on Bonds	<u>4,362</u>	1,317
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		21,245
 Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(82,032)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u><u>(636,319)</u></u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 2,701,608	\$ 2,702,942	\$ 2,813,431	\$ 110,489
Intergovernmental	4,106,848	4,108,769	4,043,985	(64,784)
Investment Income	110,277	110,307	62,351	(47,956)
Tuition and Fees	1,297,139	1,297,880	1,562,643	264,763
Contributions and Donations	14,567	14,574	14,989	415
Miscellaneous	0	0	5,906	5,906
<i>Total Revenues</i>	<u>8,230,439</u>	<u>8,234,472</u>	<u>8,503,305</u>	<u>268,833</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,316,167	4,271,903	4,234,388	37,515
Special	769,848	661,828	651,457	10,371
Vocational	110,999	109,614	109,289	325
Student Intervention Services	407,737	601,258	688,053	(86,795)
Other	224,414	221,705	213,699	8,006
Support Services:				
Pupils	382,306	378,235	321,130	57,105
Instructional Staff	411,741	408,088	292,171	115,917
Board of Education	53,155	52,350	63,512	(11,162)
Administration	647,882	642,725	723,527	(80,802)
Fiscal	354,586	349,470	403,627	(54,157)
Business	463	458	365	93
Operation and Maintenance of Plant	831,084	821,663	743,204	78,459
Pupil Transportation	463,615	458,718	386,303	72,415
Central	34,324	33,741	45,958	(12,217)
Extracurricular Activities	214,357	211,325	199,811	11,514
Capital Outlay	6,500	6,500	0	6,500
<i>Total Expenditures</i>	<u>9,229,178</u>	<u>9,229,581</u>	<u>9,076,494</u>	<u>153,087</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(998,739)</u>	<u>(995,109)</u>	<u>(573,189)</u>	<u>421,920</u>
<b>Other Financing Uses</b>				
Transfers Out	(30,000)	(30,000)	(28,773)	1,227
<i>Total Other Financing Uses</i>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(28,773)</u>	<u>1,227</u>
<i>Net Change in Fund Balance</i>	(1,028,739)	(1,025,109)	(601,962)	423,147
<i>Fund Balance Beginning of Year</i>	3,150,566	3,150,566	3,150,566	0
Prior Year Encumbrances Appropriated	147,405	147,405	147,405	0
<i>Fund Balance End of Year</i>	<u>\$ 2,269,232</u>	<u>\$ 2,272,862</u>	<u>\$ 2,696,009</u>	<u>\$ 423,147</u>

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

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	Private Purpose Trust	Agency
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 6,627	\$ 47,775
	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>		
Due to Students	0	\$ 47,775
	<u>                    </u>	<u>                    </u>
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 6,627	
	<u>                    </u>	

See accompanying notes to the basic financial statements.

**Mogadore Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2012*

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	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	<u>\$ 3,640</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>3,278</u>
<i>Change in Net Assets</i>	362
<i>Net Assets Beginning of Year</i>	<u>6,265</u>
<i>Net Assets End of Year</i>	<u><u>\$ 6,627</u></u>

See accompanying notes to the basic financial statements.

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*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately four square miles. It is located in Summit and Portage Counties, and includes the entire Village of Mogadore and portions of Suffield Township. It is staffed by 41 non-certificated employees and 65 certificated personnel who provide services to 987 students and other community members. The School District operates three instructional buildings and one bus garage.

**Reporting Entity**

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

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

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

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

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

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

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

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

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

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

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

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

**C. Measurement Focus**

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

**E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the Certificate of Estimated Resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Revenues establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control set by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in revenue are identified by the School District treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final Certificate of Estimated Resources issued during fiscal year 2012.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2012.

**F. Cash and Investments**

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

During fiscal year 2012, investments were limited to federal agency instruments.

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

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 2012 amounted to \$73,286. The general fund interest includes \$13,535 assigned from other School District funds.

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

**G. Deferred Charges and Note Premium**

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

**H. Restricted Assets**

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

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District capitalization threshold is \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

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

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

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

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

**M. Net Assets**

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

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

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

**N. Fund Balance**

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.

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

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

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

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

**O. Interfund Activity**

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

**P. Estimates**

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

**Note 3 – Accountability**

Deficit fund balances at June 30, 2012 include the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service Fund	\$ 23,959

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

**Note 4 - Budgetary Basis of Accounting**

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

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

*Mogadore Local School District  
Notes to the Basic Financial Statements  
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**Note 4 - Budgetary Basis of Accounting (Continued)**

4. Advances in and advances out are operating transactions (budget) as opposed to Balance Sheet transactions (GAAP).
5. Some funds are included in the General Fund (GAAP Basis), but have separate legally adopted budgets (budget basis)

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

**Net Change in Fund Balance**

	General
GAAP Basis	\$ (513,808)
Net Adjustment for Revenue Accruals	15,566
Net Adjustment for Expenditure Accruals	52,947
Funds Budgeted Elsewhere**	(9,262)
Adjustment for Encumbrances	(147,405)
Budget Basis	\$ (601,962)

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

**Note 5 - Deposits and Investments**

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

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

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

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

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

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 5 - Deposits and Investments (Continued)**

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% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in the amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 5 - Deposits and Investments (Continued)**

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$1,011,405, and the bank balance was \$1,063,249. The entire bank balance was covered by depository insurance.

**Investments** Investments are reported at fair value. As of June 30, 2012 the School District had the following investments and maturities:

Standard & Poors Rating		Fair Value	Investment Maturities (in months)			% Total Investments
			0 - 12	13 - 36	37 - 60	
AA-	Fifth Third US Treasury Money Market	\$ 56,711	\$ 56,711	\$ 0	\$ 0	2.14%
AA+	US Treasury Notes	356,479	100,824	255,655	0	13.45%
AAA	Fannie Mae	935,941	0	618,681	317,260	35.32%
AAA	Freddie Mac	785,194	0	313,955	471,239	29.63%
AAA	Federal Home Loan Bank	515,574	202,599	312,975	0	19.46%
Totals		<u>\$2,649,899</u>	<u>\$ 360,134</u>	<u>\$ 1,501,266</u>	<u>\$ 788,499</u>	<u>100.00%</u>

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

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Credit Risk** The School District's investments at June 30, 2012 are rated as shown above by Standard & Poor's. Federal money markets are exempt from ratings since explicitly guaranteed by a U.S. Government Agency. The School District's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

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

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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.

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 6 - Property Taxes (Continued)**

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Summit and Portage Counties. The Fiscal Officer 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$325,575 in the general fund, \$59,468 in the bond retirement debt service fund, and \$19,273 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$352,077 in the general fund and \$64,285 in the bond retirement debt service fund, and \$23,891 in the permanent improvement capital projects fund.

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

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 6 - Property Taxes (Continued)**

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	86,406,230	97.63%	81,126,010	97.02%
Public Utility Personal Property	2,093,500	2.37%	2,492,480	2.98%
Total	\$88,499,730	100.00%	\$83,618,490	100.00%
Tax rate per \$1,000 of assessed valuation	\$73.70		\$83.29	

**Note 7 - Receivables**

Receivables at June 30, 2012 consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
SERS True Up	\$ 34,437
Title II-A	2,264
<i>Total Intergovernmental Receivables</i>	<i>\$ 36,701</i>

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 98,050	\$ 0	\$ 0	\$ 98,050
 <i>Capital Assets, being depreciated:</i>				
Land Improvements	1,189,672	0	0	1,189,672
Building and Improvements	15,792,518	0	0	15,792,518
Furniture and Equipment	1,390,693	0	0	1,390,693
Vehicles	514,878	0	0	514,878
<b>Total Capital Assets, being depreciated</b>	<b>18,887,761</b>	<b>0</b>	<b>0</b>	<b>18,887,761</b>
 <i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,432,717)	(8,168)	0	(1,440,885)
Building and Improvements	(2,312,683)	(292,800)	0	(2,605,483)
Furniture and Equipment	(1,173,515)	(32,912)	0	(1,206,427)
Vehicles	(426,920)	(26,604)	0	(453,524)
<b>Total Accumulated Depreciation</b>	<b>(5,345,835)</b>	<b>(360,484)</b>	<b>0</b>	<b>(5,706,319)</b>
<b>Total Capital Assets being depreciated, Net</b>	<b>13,541,926</b>	<b>(360,484)</b>	<b>0</b>	<b>13,181,442</b>
 <b>Governmental Activities Capital Assets, Net</b>	<b>\$ 13,639,976</b>	<b>\$(360,484)</b>	<b>\$ 0</b>	<b>\$ 13,279,492</b>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 102,960
Special	11,196
Vocational	29
Support Services:	
Pupils	3,362
Instructional Staff	1,012
Administration	11,041
Fiscal	187
Operation and Maintenance of Plant	134,253
Pupil Transportation	23,392
Operation of non instructional	2,061
Extracurricular Activities	70,991
<b>Total Depreciation</b>	<b>\$ 360,484</b>

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 9 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, the School District contracted with the Bowers Insurance and Financial Services, Inc. for fleet, property and inland marine insurance coverage. Liability coverage is provided by the Ohio Casualty Group. Coverage is as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings and Contents	\$24,667,991	\$1,000
Inland Marine Coverage	86,305	500
Automobile Liability	2,000,000	100 - 250
Uninsured Motorists	2,000,000	100 - 250
Crime Insurance	10,000	500
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	2,000,000	0
Umbrella	1,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the prior year in any category of risk.

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (G.P.), an insurance purchasing pool (Note 15). The intent of the G.P. is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the G.P. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the G.P. Each participant pays its workers' compensation premium to the State based on the rate for the G.P. rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the G.P. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the G.P. Participation in the G.P. is limited to school districts that can meet the G.P.'s selection criteria. The firm of Sheakley Unicorp Inc. provides administrative, cost control and actuarial services of the G.P.

The School District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of approximately 40 members. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,357 for family coverage and \$557 for single coverage per employee per month.

**Note 10 - Employee Benefits**

**A. Compensated Absences**

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

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program.

**Note 11 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$209,501, \$209,051 and \$242,717, respectively; 58 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

**Note 11 - Defined Benefit Pension Plans (Continued)**

**B. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$612,761 , \$643,290 and \$654,206, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$7,613 made by the School District and \$5,438 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board’s liability is 6.2 percent of wages paid.

**Note 12 - Postemployment Benefits (Continued)**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated 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 according to service credit earned. 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 statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$27,637, \$41,097, and \$27,590, respectively; 58 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$10,849, \$10,967, and \$11,309, respectively; 58 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

*Mogadore Local School District  
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**Note 12 - Postemployment Benefits (Continued)**

**B. State Teachers Retirement System**

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$45,987, \$48,296, and \$45,398, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**Note 13 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amounts</i>
	<i>6/30/2011</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/2012</i>	<i>Due In</i>
					<i>One Year</i>
<i>Capital Improvement Bonds 3.00%</i>					
<i>to 4.375% Maturing December 1, 2031</i>	\$ 8,680,000	\$ 0	\$ 330,000	\$ 8,350,000	\$ 25,000
<i>Capital Appreciation Bonds 4.5%</i>					
<i>Maturing December 1, 2013</i>	179,997	0	0	179,997	97,315
<i>Accretion on Capital Appreciation Bonds</i>	283,547	82,032	0	365,579	197,647
<i>Total Capital Appreciation Bonds</i>	463,544	82,032	0	545,576	294,962
<i>Lease Revenue Bonds 3.55% - 5.125%</i>					
<i>Maturing December 1, 2031:</i>					
<i>Serial and Term Bonds</i>	1,810,000	0	55,000	1,755,000	55,000
<i>Premium</i>	89,075	0	4,362	84,713	0
<i>Total Lease Revenue Bonds</i>	1,899,075	0	59,362	1,839,713	55,000
<i>Compensated Absences</i>	605,240	82,551	103,796	583,995	100,788
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$ 11,647,859	\$ 164,583	\$ 493,158	\$ 11,319,284	\$ 475,750

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

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

During fiscal year 2008, the School District issued lease revenue bonds in the amount of \$2,000,000. The bonds will mature December 1, 2031. The bonds were issued at a premium of \$109,053 which will be amortized over the life of the bonds. The interest rate range is 3.55% to 5.125%. The lease revenue bonds were issued to pay for capital improvements made to existing School District's buildings and pay for a portion of the costs to build the new school building housing grades seven through twelve.

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

This space left intentionally blank.

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

<i>Fiscal Year Ending June 30,</i>	<i>Capital Improvement Bonds</i>		<i>Capital Appreciation Bonds</i>		<i>Lease Revenue Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Accretion</i>	<i>Principal</i>	<i>Interest</i>
2013	\$ 25,000	\$ 353,687	\$ 97,315	\$ 222,685	\$ 55,000	\$ 85,337
2014	25,000	352,688	82,682	237,318	60,000	83,181
2015	350,000	345,188	0	0	60,000	80,894
2016	360,000	330,987	0	0	60,000	78,532
2017	345,000	316,888	0	0	65,000	75,951
2018-2022	1,930,000	1,361,205	0	0	370,000	327,486
2023-2027	2,375,000	909,623	0	0	475,000	219,730
2028-2032	2,940,000	332,718	0	0	610,000	81,489
<b>Total</b>	<b>\$ 8,350,000</b>	<b>\$ 4,302,984</b>	<b>\$ 179,997</b>	<b>\$ 460,003</b>	<b>\$ 1,755,000</b>	<b>\$ 1,032,600</b>

<i>Fiscal Year Ending June 30,</i>	<i>Total</i>	
	<i>Principal</i>	<i>Interest/Accretion</i>
2013	\$ 177,315	\$ 661,709
2014	167,682	673,187
2015	410,000	426,082
2016	420,000	409,519
2017	410,000	392,839
2018-2022	2,300,000	1,688,691
2023-2027	2,850,000	1,129,353
2028-2032	3,550,000	414,207
<b>Total</b>	<b>\$10,284,997</b>	<b>\$ 5,795,587</b>

**Note 14 - Jointly Governed Organizations**

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

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEOnet) which is a computer consortium. NEOnet is a jointly governed organization among 17 School Districts located within the boundaries of Medina, Portage and Summit Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NEOnet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All the NEOnet revenues are generated from charges for services and state funding. To obtain financial information write NEOnet, 420 Washington Ave., Cuyahoga Falls, Ohio 44221. The Summit County Board of Education serves as the fiscal agent. NEOnet is not dependent on the School District's participation, and no equity interest exists. The School District paid \$35,837 to NEOnet during fiscal year 2012.

**B. Maplewood Joint Vocational School**

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

**Note 15 - Public Entity Risk Pools**

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

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

**B. Ohio School Plan**

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

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

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

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

**Note 16 - Contingencies**

**A. Review of Statewide Attendance Data**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**B. 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. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**C. 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.

**Note 17 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purpose in future years.

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

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

	<b>Capital Improvements</b>	<b>Budget Stabilization BWC Refund</b>
Set-Aside Restricted Balance as of June 30, 2011	\$ 144,964	\$ 31,768
Current Year Set-Aside Requirement	156,305	0
Current Year Offsets	(268,285)	0
Qualifying Disbursements	(26,338)	0
Total	\$ 6,646	\$ 31,768
Set-Aside Balance Carried Forward FY 2013	\$ 6,646	\$ 31,768
Set-Aside Restricted Balance as of June 30, 2012	\$ 6,646	\$ 31,768

The School District had capital improvement qualifying expenditures and current year offsets exceeding the set aside requirement may not be carried forward to the next fiscal year.

**Note 18 – Interfund Transfers**

Transfers during June 30, 2012, consist of the following:

<i>Fund</i>	<i>Transfers In</i>	<i>Transfers Out</i>
<i>Major Governmental Funds:</i>		
General	\$ 0	\$ 28,773
Debt Servicet Fund	142,342	0
<i>Non-major Governmental Funds</i>		
Permanent Improvement	0	142,342
Food Service	27,759	0
Athletics	1,014	0
<i>Total Non-Major Governmental Funds</i>	28,773	142,342
<i>Total All Funds</i>	\$ 171,115	\$ 171,115

The transfers made from the general fund were made to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer made from the permanent improvement fund to the debt service fund was made to make principal and interest payments. Transfers between governmental funds are eliminated on the governmental-wide financials.

*Mogadore Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 19 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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 funds are presented as follows:

	General	Debt Service Fund	Other Governmental Funds	Total
Restricted for:				
Set Asides	\$ 6,646	\$ 0	\$ 0	\$ 6,646
Budget Stabilization - BWC Refund	31,768	0	0	31,768
Capital Outlay	0	0	413,032	413,032
Federal Grant Programs	0	0	47,792	47,792
Debt Service	0	254,425	0	254,425
Athletics	0	0	49,277	49,277
Other Grants	0	0	2,124	2,124
Total Restricted	38,414	254,425	512,225	805,064
Assigned for:				
Encumbrances:				
Instruction	5,653	0	0	5,653
Support Services	60,078	0	0	60,078
Extracurricular	2,735	0	0	2,735
Other Purposes	83,442	0	0	83,442
Total Assigned	151,908	0	0	151,908
Unassigned	2,118,356	0	(23,959)	2,094,397
Total Fund Balance	\$2,308,678	\$ 254,425	\$ 488,266	\$3,051,369

**Note 20 – Subsequent Event**

On October 8, 2012 the School District approved a resolution providing for the issuance and sale of bonds in a maximum aggregate principal amount of \$8,240,000 for the purpose of refunding certain bonds issued.

MOGADORE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$9,535		\$9,535	
National School Lunch Program	10.555	108,768		108,768	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$12,542		\$12,542
Total Child Nutrition Cluster		<u>118,303</u>	<u>12,542</u>	<u>118,303</u>	<u>12,542</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>118,303</u></b>	<b><u>12,542</u></b>	<b><u>118,303</u></b>	<b><u>12,542</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	163,504		163,646	
ARRA Special Education Grants to States	84.391	<u>0</u>		<u>5,230</u>	
<b>Total Special Education Cluster</b>		<b><u>163,504</u></b>		<b><u>168,876</u></b>	
Title I, Grants to Local Educational Agencies	84.010	98,706		98,706	
Education Jobs Fund	84.410	191,685		191,685	
Drug Free Schools Anti Bullying	84.186	9,825		7,955	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	0		26,036	
Improving Teacher Quality Grant Fund	84.367	<u>25,730</u>		<u>27,515</u>	
<b>Total U.S. Department of Education</b>		<b><u>489,450</u></b>		<b><u>520,773</u></b>	
<b>Totals</b>		<b><u>\$607,753</u></b>	<b><u>\$12,542</u></b>	<b><u>\$639,076</u></b>	<b><u>\$12,542</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**MOGADORE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Mogadore Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mogadore Local School District, Summit County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

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

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 8, 2013.

We intend this report solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 8, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Mogadore Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Mogadore Local School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Mogadore Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

### **Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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 compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

**Dave Yost**  
Auditor of State

January 8, 2013

**MOGADORE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
June 30, 2012**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Education Jobs CFDA 84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

MOGADORE LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 26, 2013