



Dave Yost • Auditor of State

**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	15
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund.....	17
Statement of Fiduciary Net Assets Fiduciary Funds	18
Statement of Changes in Fiduciary Net Assets Fiduciary Funds	19
Notes to the Basic Financial Statements	20
Federal Awards Receipts and Expenditures Schedule.....	47
Notes to the Federal Awards Receipts and Expenditures Schedule	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings.....	53
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	55

This page intentionally left blank.



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, 2011, 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, 2011, 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.

As described in Note 2, during the year ended June 30, 2011 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 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 was 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

March 12, 2012

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of Mogadore Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2011 are as follows:

- In total, net assets decreased \$920,825.
- Revenues for governmental activities totaled \$9,994,348 during 2011. Of this total, 76 percent consisted of General revenues while Program revenues accounted for the balance of 24 percent.
- Program expenses totaled \$10,915,173. Instructional expenses made up 59 percent of this total while support services accounted for 29 percent. Other expenses rounded out the remaining 12 percent.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's Non-Fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 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 the bond retirement debt service fund.

Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 1
Net Assets

	<i>Governmental Activities</i>	
	2011	Restated 2010
Assets		
Current and Other Assets	\$ 7,726,157	\$ 8,409,366
Capital Assets, Net	13,639,976	14,015,163
<i>Total Assets</i>	21,366,133	22,424,529
Liabilities		
Current and Other Liabilities	3,939,140	3,769,783
Long-term Liabilities:		
Due Within One Year	473,216	455,934
Due in More than One Year	11,174,643	11,489,631
<i>Total liabilities</i>	15,586,999	15,715,348
Net assets		
Invested in Capital Assets, Net of Debt	2,967,624	2,978,985
Restricted	959,647	728,058
Unrestricted	1,851,863	2,992,916
<i>Total Net Assets</i>	\$ 5,779,134	\$ 6,699,959

Total assets decreased by \$1,058,396. The decrease can be attributed to a decrease in cash and investments from expenses increasing at a greater rate than revenues and capital assets depreciating at a greater rate than new acquisitions.

Total liabilities decreased by \$128,349. This decrease can be attributed to the decrease in long term debt.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$7,566,163 or 76 percent of the total revenue. The most significant portion of general revenues is local property tax and state support. The remaining amount of revenue received was in the form of program revenues, which equated to \$2,428,185 or 24 percent of total revenue.

Table 2 shows the changes in net assets and compares revenue and expenses from fiscal year 2011 to fiscal year 2010. A comparative analysis of government-wide data is presented.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2
Changes in Net Assets

	<i>Governmental Activities</i>	
	2011	2010*
Revenues		
Program Revenues:		
Charges for Services	\$ 1,549,253	\$ 1,548,034
Operating Grants and Contributions	878,932	744,256
Total Program Revenues	2,428,185	2,292,290
General Revenues:		
Property Taxes	3,035,327	2,926,526
Grants and Entitlements	4,423,998	4,655,818
Investments Earnings	91,409	185,623
Miscellaneous	15,429	20,746
Total General Revenues	7,566,163	7,788,713
Total Revenues	9,994,348	10,081,003
Program Expenses:		
Instruction:		
Regular	4,600,672	4,691,607
Special	1,124,768	1,088,007
Vocational	99,414	97,589
Student Intervention Services	420,497	381,165
Other	221,705	155,291
Support Services:		
Pupil	405,953	534,542
Instructional Staff	404,982	364,838
Board of Education	44,845	42,351
Administration	644,252	676,713
Fiscal	338,885	345,589
Business	553	372
Operation and Maintenance	854,495	1,015,955
Pupil Transportation	429,228	419,239
Central	39,741	59,904
Operating of Non-Instructional Services	309,949	320,688
Extracurricular Activities	447,934	421,984
Interest and Fiscal Charges	527,300	532,453
Total Program Expenses	10,915,173	11,148,287
Decrease in Net Assets	\$ (920,825)	\$ (1,067,284)

*Excludes the activities of funds reported in the general fund with the implementation of GASB 54 (See Note 2Q). Amount was not significant and would not impact the analysis.

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

As one can see, approximately 59 percent of the School District's expense is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 29 percent. The remaining amount of program expenses, 12 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows a comparative of the total cost of services for governmental activities and the net cost of those services for fiscal year 2011 to fiscal year 2010. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	<i>Total Cost of Services 2011</i>	<i>Net Cost of Services 2011</i>	<i>Total Cost of Services 2010*</i>	<i>Net Cost of Services 2010*</i>
Instruction:				
Regular	\$ 4,600,672	\$ 2,972,526	\$ 4,691,607	\$ 3,332,468
Special	1,124,768	832,441	1,088,007	607,592
Vocational	99,414	99,414	97,589	97,589
Student Intervention Services	420,497	420,497	381,165	381,165
Other	221,705	221,705	155,291	155,291
Support Services:				
Pupils	405,953	334,346	534,542	487,570
Instructional Staff	404,982	401,510	364,838	354,011
Board of Education	44,845	44,845	42,351	42,351
Administration	644,252	628,172	676,713	676,713
Fiscal	338,885	335,885	345,589	340,589
Business	553	553	372	372
Operation and Maintenance	854,495	854,495	1,015,955	1,015,955
Pupil Transportation	429,228	429,228	419,239	419,239
Central	39,741	33,741	59,904	53,045
Operation of Non-Instructional Services	309,949	35,321	320,688	48,487
Extracurricular Activities	447,934	315,009	421,984	311,107
Interest and Fiscal Charges	527,300	527,300	532,453	532,453
Total	\$ 10,915,173	\$ 8,486,988	\$ 11,148,287	\$ 8,855,997

*Excludes the activities of funds reported in the general fund with the implementation of GASB 54 (See Note 2Q). Amount was not significant and would not impact the analysis.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 28 percent of total costs are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 41 percent of total costs, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 22 percent of all governmental expenses.

School District's Funds

Information regarding the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues (excluding other financing sources) totaled \$9,856,103 and expenditures (excluding other financing uses) totaled \$10,834,538. The general fund balance decreased by \$1,060,047, the bond retirement debt service fund balance increased by \$91. The general fund decrease of \$1,060,047 was due to revenues not being able to keep up with expenditures of programs provided.

General Fund Budgeting Highlights

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

During the course of fiscal 2011, the School District amended its general fund budget for revenue one time during the fiscal year. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the original budget basis revenue and other financing sources estimate totaled \$8,651,657 and the final budget basis revenue and other financing sources estimate totaled \$8,650,325. The decrease can be attributed to less tax revenues. Actual revenues and other financial sources were less than the final budget amounts by \$875,212 due to less tax revenue and intergovernmental revenue than anticipated. The original and final budget basis expenditures and other financing uses totaled \$10,121,839, as there was no change during the fiscal year. Final expenditures and other financing uses plus outstanding encumbrances of \$9,183,694 were \$934,145 less than the budgeted amounts as the School District was able to be fiscally responsible with cost saving adjustments to offset the less than expected revenue collections.

The School District's general fund unencumbered ending cash balance totaled \$3,150,566, which was above the original budgeted amount, due to decreased spending during the fiscal year than was anticipated.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the School District had \$13,639,976 invested in land and improvements, buildings and improvements, furniture and fixtures, vehicles, net of accumulated depreciation. Table 4 shows fiscal 2011 compared to 2010.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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

	<i>Governmental Activities</i>	
	<i>2011</i>	<i>2010</i>
Land	\$ 98,050	\$ 98,050
Land Improvements	1,189,672	1,189,672
Buildings and Improvements	15,792,518	15,792,518
Furniture and Fixtures	1,390,693	1,441,703
Vehicles	514,878	514,878
Accumulated Depreciation	(5,345,835)	(5,021,658)
<i>Totals</i>	\$ 13,639,976	\$ 14,015,163

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

Debt

At June 30, 2011 the School District had \$11,042,619 of bonded debt outstanding. Table 5 below summarizes the School District's debt outstanding.

Table 5
Outstanding Debt at June 30, 2011

	<i>2011</i>	<i>2010</i>
School Improvement Bonds	\$ 8,680,000	\$ 9,000,000
Capital Appreciation Bonds	179,997	179,997
Accretion on Capital Appreciation Bonds	283,547	213,849
Lease Revenue Bonds	1,810,000	1,860,000
Unamortized Premium on Lease Revenue Bonds	89,075	93,437
<i>Totals</i>	\$ 11,042,619	\$ 11,347,283

The school improvement bonds will be repaid by December 1, 2031 and the capital appreciation bonds will be repaid by December 1, 2013. The lease revenue bonds will be repaid by December 1, 2031. For information on outstanding debt refer to Note 13 of the basic financial statements.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

School District Outlook

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

Mogadore Local School District

Statement of Net Assets

June 30, 2011

	<i>Governmental</i>
	<i>Activities</i>
	<hr/>
<i>Assets</i>	
Equity in Pooled Cash and Investments	\$ 4,000,675
Cash in Segregated Accounts	1,505
Intergovernmental Receivable	229,959
Taxes Receivable	3,407,298
Deferred Charges	86,720
Non-Depreciable Capital Assets	98,050
Depreciable Capital Assets, net	13,541,926
	<hr/>
<i>Total Assets</i>	21,366,133
	<hr/>
<i>Liabilities</i>	
Accounts Payable	33,482
Accrued Wages and Benefits	689,854
Intergovernmental Payable	272,997
Accrued Interest Payable	37,910
Matured Compensated Absences Payable	16,580
Deferred Revenue	2,888,317
Long-Term Liabilities:	
Due Within One Year	473,216
Due in More Than One Year	11,174,643
	<hr/>
<i>Total Liabilities</i>	15,586,999
	<hr/>
<i>Net Assets</i>	
Invested in Capital Assets, Net of Related Debt	2,967,624
Restricted for Debt Service	196,534
Restricted for Capital Outlay	363,825
Restricted for Other Purposes	274,788
Restricted for Set Asides	124,500
Unrestricted	1,851,863
	<hr/>
<i>Total Net Assets</i>	\$ 5,779,134
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	<i>Program Revenues</i>			
<i>Expenses</i>	<i>Charges for Services and Sales</i>	<i>Operating Grants, Interest and Contributions</i>	<i>Net (Expenses) Revenue and Changes in Net Assets</i>	
Governmental Activities				
Instruction:				
Regular	\$ 4,600,672	\$ 1,215,700	\$ 412,446	\$ (2,972,526)
Special	1,124,768	0	292,327	(832,441)
Vocational	99,414	0	0	(99,414)
Student Intervention Services	420,497	0	0	(420,497)
Other	221,705	0	0	(221,705)
Support Services:				
Pupils	405,953	40,619	30,988	(334,346)
Instructional Staff	404,982	546	2,926	(401,510)
Board of Education	44,845	0	0	(44,845)
Administration	644,252	0	16,080	(628,172)
Fiscal	338,885	0	3,000	(335,885)
Business	553	0	0	(553)
Operation and Maintenance of Plant	854,495	0	0	(854,495)
Pupil Transportation	429,228	0	0	(429,228)
Central	39,741	0	6,000	(33,741)
Operation of Non-Instructional Services:				
Food Service Operations	309,949	164,213	110,415	(35,321)
Extracurricular Activities	447,934	128,175	4,750	(315,009)
Interest and Fiscal Charges	527,300	0	0	(527,300)
Totals	\$ 10,915,173	\$ 1,549,253	\$ 878,932	(8,486,988)

General Revenues

Property Taxes Levied for:	
General Purposes	2,391,823
Capital Purposes	171,049
Debt Service	472,455
Grants and Entitlements not Restricted to Specific Program	4,423,998
Investment Earnings	91,409
Miscellaneous	15,429
Total General Revenues	7,566,163
Change in Net Assets	(920,825)
Net Assets Beginning of Year, Restated (See Note 19)	6,699,959
Net Assets End of Year	\$ 5,779,134

See accompanying notes to the basic financial statements

Mogadore Local School District

*Balance Sheet
Governmental Funds
June 30, 2011*

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Assets</i>				
Equity in Pooled Cash and Investments	\$ 3,259,829	\$ 157,632	\$ 426,946	\$ 3,844,407
Cash in Segregated Accounts	0	0	1,505	1,505
Interfund Receivable	3,000	0	0	3,000
Intergovernmental Receivable	29,859	0	200,100	229,959
Taxes Receivable	2,734,536	494,565	178,197	3,407,298
Restricted Assets:				
Equity in Pooled Cash and Investments	156,268	0	0	156,268
<i>Total Assets</i>	<u>\$ 6,183,492</u>	<u>\$ 652,197</u>	<u>\$ 806,748</u>	<u>\$ 7,642,437</u>
<i>Liabilities</i>				
Accounts Payable	\$ 31,207	\$ 0	\$ 2,275	\$ 33,482
Accrued Wages and Benefits	666,793	0	23,061	689,854
Intergovernmental Payable	260,966	0	12,031	272,997
Interfund Payable	3,000	0	0	3,000
Matured Compensated Absences Payable	16,580	0	0	16,580
Deferred Revenue	2,382,460	430,280	341,265	3,154,005
<i>Total Liabilities</i>	<u>3,361,006</u>	<u>430,280</u>	<u>378,632</u>	<u>4,169,918</u>
<i>Fund Balances</i>				
Restricted	124,500	221,917	447,273	793,690
Assigned	201,671	0	0	201,671
Unassigned	2,496,315	0	(19,157)	2,477,158
<i>Total Fund Balances</i>	<u>2,822,486</u>	<u>221,917</u>	<u>428,116</u>	<u>3,472,519</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,183,492</u>	<u>\$ 652,197</u>	<u>\$ 806,748</u>	<u>\$ 7,642,437</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, 2011*

Total Governmental Fund Balances \$ 3,472,519

*Amounts reported for governmental activities in the
 Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 13,639,976

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

Delinquent Property and Personal Property Taxes	\$ 78,729	
Grants	186,959	
<i>Total</i>		265,688

Bond issuance costs reported as an expenditure in the funds are
 allocated as an expense over the life of the debt on an
 accrual basis. 86,720

In the Statement of Activities, interest is accrued on outstanding bonds, notes
 and capital leases, whereas in governmental funds, an interest expenditure
 is reported when due. (37,910)

Long-term liabilities, including bonds payable, notes payable, capital leases
 payable and compensated absences are not due and payable in the current
 period and therefore are not reported in the funds:

General Obligation Bonds	(8,680,000)	
Accretion on Capital Appreciation Bonds	(283,547)	
Capital Appreciation Bonds	(179,997)	
Compensated Absences	(605,240)	
Lease Revenue Bonds	(1,810,000)	
Premium on Lease Revenue Bonds	(89,075)	
<i>Total</i>		(11,647,859)

Net Assets of Governmental Activities \$ 5,779,134

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, 2011

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues				
Property Taxes	\$ 2,429,634	\$ 474,215	\$ 172,428	\$ 3,076,277
Intergovernmental	4,073,806	225,720	807,740	5,107,266
Interest	91,409	0	0	91,409
Tuition and Fees	1,242,290	0	0	1,242,290
Extracurricular Activities	52,655	0	96,790	149,445
Gifts and Donations	1,077	0	8,697	9,774
Customer Sales and Services	0	0	164,213	164,213
Miscellaneous	14,574	0	855	15,429
<i>Total Revenues</i>	<u>7,905,445</u>	<u>699,935</u>	<u>1,250,723</u>	<u>9,856,103</u>
Expenditures				
Current:				
Instruction:				
Regular	4,230,477	0	236,481	4,466,958
Special	820,973	0	301,325	1,122,298
Vocational	98,911	0	0	98,911
Student Intervention Services	420,405	0	0	420,405
Other	221,705	0	0	221,705
Support Services:				
Pupils	372,129	0	34,676	406,805
Instructional Staff	402,486	0	3,749	406,235
Board of Education	44,845	0	0	44,845
Administration	618,089	0	30,000	648,089
Fiscal	318,225	10,297	6,966	335,488
Business	366	0	0	366
Operation and Maintenance of Plant	709,285	0	0	709,285
Pupil Transportation	400,265	0	0	400,265
Central	33,741	0	6,000	39,741
Operation of Non-Instructional Services:				
Food Service Operations	0	0	307,370	307,370
Extracurricular Activities	237,090	0	93,939	331,029
Capital Outlay	6,500	0	39,433	45,933
Debt Service:				
Principal	0	370,000	0	370,000
Interest and Fiscal Charges	0	458,810	0	458,810
<i>Total Expenditures</i>	<u>8,935,492</u>	<u>839,107</u>	<u>1,059,939</u>	<u>10,834,538</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(1,030,047)</u>	<u>(139,172)</u>	<u>190,784</u>	<u>(978,435)</u>
Other Financing Sources (Uses)				
Transfers In	11,549	139,263	30,000	180,812
Transfers Out	(41,549)	0	(139,263)	(180,812)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>139,263</u>	<u>(109,263)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,060,047)	91	81,521	(978,435)
<i>Fund Balances Beginning of Year Restated (See Note 19)</i>	<u>3,882,533</u>	<u>221,826</u>	<u>346,595</u>	<u>4,450,954</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,822,486</u>	<u>\$ 221,917</u>	<u>\$ 428,116</u>	<u>\$ 3,472,519</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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ (978,435)

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Governmental funds report capital outlay as expenditures
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these amounts are

Capital Assets - Additions	\$ 0	
Depreciation	(374,427)	(374,427)
<i>Total</i>		

Net effect of transactions involving sale of capital assets
are not reflected in the funds. (760)

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds

Delinquent Property Taxes	(40,950)	
Grants	186,047	
Excess Costs	(6,852)	
<i>Total</i>		138,245

Repayment of notes, bonds and capital leases principal is an expenditure
in the governmental funds, but the repayment reduces long-term liabilities
in the Statement of Net Assets. In the current period, these amounts are

Bond Payments	370,000
---------------	---------

In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas
in governmental funds, an interest expenditure is reported when due. The amortization of
issuance costs, bond premium and accretion is reflected as an expense
in the Statement of Activities:

Issuance Costs	(4,247)	
Premium	4,362	
Bond Accretion	(69,698)	
<i>Total</i>		(69,583)

Some expenses reported in the Statement of Activities, do not require the use of current
financial resources and therefore are not reported as expenditures in the governmental
funds, these amounts are:

Accrued Interest Payable	1,093	
Compensated Absences	(6,958)	
<i>Total</i>		(5,865)

Changes in Net Assets of Governmental Activities \$ (920,825)

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, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
Revenues				
Property Taxes	\$ 2,604,666	\$ 2,604,188	\$ 2,343,181	\$ (261,007)
Intergovernmental	4,647,991	4,647,137	4,069,620	(577,517)
Interest	125,000	125,000	125,230	230
Tuition and Fees	1,267,000	1,267,000	1,218,365	(48,635)
Miscellaneous	5,000	5,000	14,531	9,531
Total Revenues	8,649,657	8,648,325	7,770,927	(877,398)
Expenditures				
Current:				
Instruction:				
Regular	4,504,169	4,504,170	4,241,351	262,819
Special	746,402	855,889	860,632	(4,743)
Vocational	102,573	102,573	108,497	(5,924)
Student Intervention Services	715,402	597,215	426,564	170,651
Other	173,201	173,201	221,705	(48,504)
Support Services:				
Pupils	470,666	470,666	369,957	100,709
Instructional Staff	410,914	410,914	406,292	4,622
Board of Education	60,083	60,083	48,228	11,855
Administration	801,342	803,042	630,328	172,714
Fiscal	427,043	427,043	321,367	105,676
Business	484	484	366	118
Operation and Maintenance of Plant	964,394	964,394	815,807	148,587
Pupil Transportation	437,360	444,359	451,857	(7,498)
Central	17,306	17,306	33,741	(16,435)
Extracurricular Activities	232,324	232,324	210,502	21,822
Capital Outlay	6,825	6,825	6,500	325
Total Expenditures	10,070,488	10,070,488	9,153,694	916,794
Excess of Revenues				
Under Expenditures	(1,420,831)	(1,422,163)	(1,382,767)	39,396
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	2,000	2,000	4,186	2,186
Transfers Out	(47,451)	(47,451)	(30,000)	17,451
Advances Out	(3,900)	(3,900)	0	3,900
Total Other Financing Uses	(49,351)	(49,351)	(25,814)	23,537
Net Change in Fund Balance	(1,470,182)	(1,471,514)	(1,408,581)	62,933
Fund Balance Beginning of Year	4,435,252	4,435,252	4,435,252	0
Prior Year Encumbrances Appropriated	123,895	123,895	123,895	0
Fund Balance End of Year	\$ 3,088,965	\$ 3,087,633	\$ 3,150,566	\$ 62,933

See accompanying notes to the basic financial statements.

Mogadore Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	<i>Private Purpose Trusts</i>	<i>Agency Fund</i>
<i>Assets</i>		
Equity in Pooled Cash and Investments	\$ 6,265	\$ 43,616
<i>Liabilities</i>		
Due to Students	0	\$ 43,616
<i>Net Assets</i>		
Held in Trust for Scholarships	6,265	
<i>Total Net Assets</i>	\$ 6,265	

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, 2011

	<i>Private Purpose Trust</i>
	Scholarship
Additions	
Gifts and contributions	\$ 5,175
<i>Total Additions</i>	5,175
 Deductions	
Payments in accordance with trust agreement	\$ 8,132
<i>Change in Net Assets</i>	(2,957)
<i>Net Assets Beginning of Year, Restated (See Note 19)</i>	9,222
<i>Net Assets End of Year</i>	\$ 6,265

See accompanying notes to the basic financial statements.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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 49 non-certificated employees and 67 certificated personnel who provide services to 1,005 students and other community members. The School District operates three instructional buildings and one bus garage.

Reporting Entity

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

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

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Northeast Ohio Network for Educational Technology, Maplewood Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Stark County Schools Council of Government Health Benefits Program and the Ohio School Plan. These organizations are presented in Notes 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, 2011, but which were levied to finance fiscal year 2012 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 2011.

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 2011.

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 2011, 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 2011 amounted to \$91,409. The general fund interest includes \$11,502 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 and 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 2 - Summary of Significant Accounting Policies (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Building Improvements	20 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 years

J. Interfund Balances

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

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Fund Balance

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.

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.

Q. Changes in Accounting Principles

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

Note 3 – Accountability

Deficit fund balances at June 30, 2011 include the following individual fund deficits:

<u>Non-Major Funds</u>	
Food Service Fund	\$ 19,157

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.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 4 - Budgetary Basis of Accounting

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

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

	<i>General</i>
<i>GAAP Basis</i>	\$ (1,060,047)
Net Adjustment for Revenues	(52,632)
Net Adjustment for Expenditures	(210,634)
Funds budgeted elsewhere*	(19,095)
Adjustment for Encumbrances	(66,173)
<i>Budget Basis</i>	\$ (1,408,581)

**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.

Note 5 - Deposits and Investments (Continued)

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.

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.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 5 - Deposits and Investments (Continued)

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.

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$450,372, and the bank balance was \$489,796. Of the bank balance, \$489,796 was covered by depository insurance.

Investments Investments are reported at fair value. As of June 30, 2011 the School District had the following investments and maturities:

Standard & Poor's Rating	Investment Type	Fair Value	Investment Maturities				
			6 months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 60 Months
AAA	Federal Home Loan Bank	\$ 982,355	\$ 150,000	\$ 203,018	\$ 308,118	\$ 321,219	\$ 0
AAA	Federal Farm Credit Banks	201,429	201,429	0	0	0	0
AAA	Federal Natl Mtg Assn	100,528	0	100,528	0	0	0
AAA	Federal Home Loan Mortgage	101,313	0	101,313	0	0	0
N/A (1)	US Treasury Note	358,574	0	0	101,641	256,933	0
AAA	Fannie Mae	1,035,289	0	100,897	206,377	420,028	307,987
AAA	Freddie Mac	822,201	0	101,368	105,421	208,862	406,550
Totals		\$ 3,601,689	\$ 351,429	\$ 607,124	\$ 721,557	\$ 1,207,042	\$ 714,537

(1) Not rated.

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

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

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 5 - Deposits and Investments (Continued)

Credit Risk The School District has no investment policy that would further limit its investment choices. The School District's investments were rated AAA by Standard & Poor's.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2011.

<i>Investment Type</i>	<i>Fair Value</i>	<i>Percent of Total</i>
Federal Home Loan Bank	\$ 982,355	27.27%
Federal Farm Credit Banks	201,429	5.59%
Federal Natl Mtg Assn	100,528	2.79%
Federal Home Loan Mortgage	101,313	2.81%
US Treasury Note	358,574	9.96%
Fannie Mae	1,035,289	28.75%
Freddie Mac	822,201	22.83%
<i>Totals</i>	\$ 3,601,689	100.00%

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax 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.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes attached as a lien December 31, were levied after April 1, and are collected with real property taxes. Public utility real property is assessed at 35% 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 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 6 - Property Taxes (Continued)

District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Summit and Portage Counties. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$440,253 and is recognized as revenue. \$352,077 was available to the general fund, \$64,285 was available to the bond retirement fund and \$23,891 was available to the permanent improvement fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	<i>2010 Second Half Collections</i>		<i>2011 First Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$ 86,993,590	97.53%	\$ 86,406,230	97.63%
Public Utility	2,066,910	2.32%	2,093,500	2.37%
Tangible Personal Property	132,685	0.15%		0.00%
	\$ 89,193,185	100.00%	\$ 88,499,730	100.00%
Tax rate per \$1,000 assessed valuation	\$ 73.64		\$ 73.70	

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 7 - Receivables

Receivables at June 30, 2011, consisted of property taxes, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
SERS True Up	\$ 32,012
Part B-IDEA	10,988
Title II-D	285
Education Jobs	186,674
<i>Total Intergovernmental Receivables</i>	<i>\$ 229,959</i>

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<i>Balance at 6/30/2010</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/2011</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 98,050	\$ 0	\$ 0	\$ 98,050
<i>Total Capital Assets, not being depreciated</i>	98,050	0	0	98,050
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,189,672	0	0	1,189,672
Buildings and Building Improvements	15,792,518	0	0	15,792,518
Furniture and Fixtures	1,441,703	0	(51,010)	1,390,693
Vehicles	514,878	0	0	514,878
<i>Total Capital Assets, being depreciated</i>	18,938,771	0	(51,010)	18,887,761
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,421,605)	(11,112)	0	(1,432,717)
Buildings and Building Improvements	(2,015,512)	(297,171)	0	(2,312,683)
Furniture and Fixtures	(1,185,863)	(37,902)	50,250	(1,173,515)
Vehicles	(398,678)	(28,242)	0	(426,920)
<i>Total Accumulated Depreciation</i>	(5,021,658)	(374,427)	50,250	(5,345,835)
<i>Total Capital Assets Being Depreciated, Net</i>	13,917,113	(374,427)	(760)	13,541,926
<i>Governmental Activities Capital Assets, Net</i>	\$ 14,015,163	\$ (374,427)	\$ (760)	\$ 13,639,976

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 8 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 110,453
Special	11,455
Vocational	59
Support Services:	
Pupil	3,982
Instructional Staff	1,467
Administration	11,146
Business	187
Operation and Maintenance of Plant	139,254
Pupil Transportation	23,391
Operation of Non-Instructional Services	2,061
Extracurricular Activities	70,972
<i>Total Depreciation Expense</i>	<i>\$ 374,427</i>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, 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:

	<i>Coverage</i>	<i>Deductible</i>
Buildings and Contents	\$20,667,991	\$1,000
Inland Marine Coverage	86,305	500
Boiler and Machinery	20,667,991	1,000
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.

Note 9 - Risk Management (Continued)

For fiscal year 2011, 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 \$1,465 for family coverage and \$602 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 under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District’s contributions to SERS for pension obligations for the fiscal years ended June 30, 2011, 2010 and 2009 were \$170,423, \$190,172, and \$122,530, respectively; 45% has been contributed for fiscal year 2011 and 100% for the fiscal years 2010 and 2009. \$111,197 represents the unpaid contribution for fiscal year 2011, and is recorded as a liability within the respective funds.

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 defined benefit pension 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 includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. 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. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Note 11 - Defined Benefit Pension Plans (Continued)

A DB or Combined Plan member with five or more years 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 the fiscal year ended June 30, 2011, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2010 the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$627,850, \$611,678, and \$562,108, respectively; 82% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$6,913 made by the School District and \$4,938 made by the plan members. \$122,296 represents the unpaid contribution for fiscal year 2011, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

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

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the SERS for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The 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 under *Employers/Audit Resources*.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%, at June 30, 2010 and 2009; the health care allocation was .46% and 4.16%, respectively. The School District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$20,636, \$6,845 and \$56,075, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76% of covered payroll. The School District's contributions for Medicare Part B for the years ended June 30, 2011, 2010, and 2009 were \$10,967, \$11,309, and \$10,110, respectively; 45% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 12 - Postemployment Benefits (Continued)

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 2011, 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, 2011, 2010, and 2009 were \$48,296, \$45,398, and \$42,515, respectively; 82% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	<i>Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i>	<i>Amounts</i>
	<u><i>6/30/2010</i></u>			<u><i>6/30/2011</i></u>	<u><i>Due In</i></u>
					<u><i>One Year</i></u>
<i>Capital Improvement Bonds 3.00%</i>					
<i>to 4.375% Maturing December 1, 2031</i>	\$ 9,000,000	\$ 0	\$ 320,000	\$ 8,680,000	\$ 330,000
<i>Capital Appreciation Bonds 4.5%</i>					
<i>Maturing December 1, 2013</i>	179,997	0	0	179,997	0
<i>Accretion on Capital Appreciation Bonds</i>	213,849	69,698	0	283,547	0
<i>Total Capital Appreciation Bonds</i>	<u>393,846</u>	<u>69,698</u>	<u>0</u>	<u>463,544</u>	<u>0</u>
<i>Lease Revenue Bonds 3.55% - 5.125%</i>					
<i>Maturing December 1, 2031:</i>					
<i>Serial and Term Bonds</i>	1,860,000	0	50,000	1,810,000	55,000
<i>Premium</i>	93,437	0	4,362	89,075	0
<i>Total Lease Revenue Bonds</i>	<u>1,953,437</u>	<u>0</u>	<u>54,362</u>	<u>1,899,075</u>	<u>55,000</u>
<i>Compensated Absences</i>	<u>598,282</u>	<u>91,571</u>	<u>84,613</u>	<u>605,240</u>	<u>88,216</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 11,945,565</u>	<u>\$ 161,269</u>	<u>\$ 458,975</u>	<u>\$ 11,647,859</u>	<u>\$ 473,216</u>

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.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 13 - Long-Term Obligations (Continued)

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:

<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>
2012	\$ 330,000	\$ 360,405	\$ 0	\$ 0	\$ 55,000	\$ 87,365
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
2017-2021	1,855,000	1,438,211	0	0	355,000	345,781
2022-2026	2,280,000	1,009,615	0	0	450,000	243,434
2027-2031	2,815,000	458,608	0	0	580,000	111,981
2032	640,000	14,000	0	0	135,000	3,460
Total	<u>\$ 8,680,000</u>	<u>\$ 4,663,389</u>	<u>\$ 179,997</u>	<u>\$ 460,003</u>	<u>\$ 1,810,000</u>	<u>\$ 1,119,965</u>

<i>Fiscal Year Ending June 30,</i>	<i>Total</i>	
	<i>Principal</i>	<i>Interest/Accretion</i>
2012	\$ 385,000	\$ 447,770
2013	177,315	661,709
2014	167,682	673,187
2015	410,000	426,082
2016	420,000	409,519
2017-2021	2,210,000	1,783,992
2022-2026	2,730,000	1,253,049
2027-2031	3,395,000	570,589
2032	775,000	17,460
Total	<u>\$ 10,669,997</u>	<u>\$ 6,243,357</u>

Note 14 - Jointly Governed Organizations

A. Northeast Ohio Network for Educational Technology

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEOnet) which is a computer consortium. NEOnet is a jointly governed organization among 17 School Districts located within the boundaries of Medina, Portage and Summit Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NEOnet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All the NEOnet revenues are generated from charges for services and state funding. To obtain financial information write NEOnet, 420 Washington Ave., Cuyahoga Falls, Ohio 44221. The Summit County Board of Education serves as the fiscal agent. NEOnet is not dependent on the School District's participation, and no equity interest exists. The School District paid \$38,011 to NEOnet during fiscal year 2011.

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

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

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purpose in future years.

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

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 17 - Set-Asides (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-Aside Restricted Balance as of June 30, 2010	\$ (106,881)	\$ 115,288	\$ 31,768
Current Year Set-Aside Requirement	141,042	141,042	0
Current Year Offsets	<u>(162,412)</u>	<u>(111,366)</u>	<u>0</u>
Total	<u>\$ (128,251)</u>	<u>\$ 144,964</u>	<u>\$ 31,768</u>
Set-Aside Balance Carried Forward FY 2012	<u>\$ 0</u>	<u>\$ 144,964</u>	<u>\$ 31,768</u>
Set-Aside Restricted Balance as of June 30, 2011	<u>\$ 0</u>	<u>\$ 144,964</u>	<u>\$ 31,768</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, textbook set aside laws have been repealed. For the capital acquisition, qualifying expenditures and current year offsets exceeding the set aside requirement may not be carried forward to the next fiscal year.

Note 18 – Interfund Activity

A. Interfund Balances

As of June 30, 2011, receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 3,000	\$ 0
Other Governmental:		
Public School Support	<u>0</u>	<u>3,000</u>
Totals	<u>\$ 3,000</u>	<u>\$ 3,000</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2011 are reported on the Statement of Net Assets.

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 18 – Interfund Activity (Continued)

B. Interfund Transfers

Transfers during June 30, 2011, consist of the following:

<i>Fund</i>	<i>Transfers In</i>	<i>Transfers Out</i>
<i>Major Governmental Funds:</i>		
General	\$ 0	\$ 30,000
Bond Retirement Fund	139,263	0
<i>Non-major Governmental Funds</i>		
Permanent Improvement	0	139,263
Food Service	30,000	0
Public School Support	11,549	0
Agency	0	11,549
<i>Total Non-Major Governmental Funds</i>	<u>41,549</u>	<u>150,812</u>
<i>Total All Funds</i>	<u>\$ 180,812</u>	<u>\$ 180,812</u>

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

Note 19 – Restatement of Fund Balances and Net Assets

A. Modified Accrual Fund Balances

Fund balances have been restated at July 1, 2010, to account for the reclassification of funds due to implementation of GASB 54. The adjustments had the following effect on governmental modified fund balances as previously reported:

	General Fund	Other Governmental Funds
Beginning fund balances, June 30, 2010	\$ 3,826,660	\$ 411,690
Adjustments:		
Fund reclassifications	55,873	(65,095)
Beginning fund balances, July 1, 2010	<u>\$ 3,882,533</u>	<u>\$ 346,595</u>

*Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 19 – Restatement of Fund Balances and Net Assets (Continued)

B. Net Assets

Net assets have been restated at July 1, 2010, to account for the reclassification of governmental activities to activities reported in fiduciary funds. The adjustments had the following effect on net assets as previously reported:

	Governmental Activities	Private Purpose Trust
Beginning Net assets, June 30, 2010	\$ 6,709,181	\$ 0
Adjustments:		
Activity reclassifications	(9,222)	9,222
Beginning net assets, July 1, 2010	\$ 6,699,959	\$ 9,222

Note 20 – 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	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Set Asides	\$ 124,500	\$ 0	\$ 0	\$ 124,500
Debt Service	0	221,917	0	221,917
Capital Outlay	0	0	359,444	359,444
Other Purposes:				
Federal Grant Programs	0	0	34,158	34,158
Athletics	0	0	50,146	50,146
Other Grants	0	0	3,525	3,525
Total Restricted	124,500	221,917	447,273	793,690
Assigned for:				
Encumbrances	130,009	0	0	130,009
Uniform Supplies	39,221	0	0	39,221
Public School Support	32,441	0	0	32,441
Total Assigned	201,671	0	0	201,671
Unassigned	2,496,315	0	(19,157)	2,477,158
Total Fund Balance	\$ 2,822,486	\$ 221,917	\$ 428,116	\$ 3,472,519

MOGADORE LOCALSCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Lunch Program	10.555	89,929		89,929	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$12,074		\$12,074
Total Child Nutrition Cluster		89,929	12,074	89,929	12,074
Total U.S. Department of Agriculture		89,929	12,074	89,929	12,074
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	140,657		144,151	
ARRA Special Education Grants to States	84.391	60,655		85,836	
Total Special Education Cluster		201,312		229,987	
Title I, Grants to Local Educational Agencies	84.010	95,371		97,822	
ARRA Title I, Grants to Local Educational Agencies	84.389	32,275		32,286	
Total Title I Grants		127,646		130,108	
Education Technology State Grants	84.318	33		800	
Improving Teacher Quality State Grants	84.367	32,562		30,725	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	191,312		173,850	
Total U.S. Department of Education		552,865		565,470	
Totals		\$642,794	\$12,074	\$655,399	\$12,074

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

**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.

NOTE C – 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.



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, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2012. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and 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 initial "D".

Dave Yost
Auditor of State

March 12, 2012



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 the Mogadore Local School District, Summit County, Ohio (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 District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. 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 express an opinion 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*. Those 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 those 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 those 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 each of its major federal programs for the year ended June 30, 2011.

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.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.auditor.state.oh.us

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 was not designed to 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 noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 12, 2012.

We intend this report solely for the information and use of the audit committee, 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

March 12, 2012

**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

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):	Special Education Grants to States CFDA 84.027 and 84.391; State Fiscal Stabilization Fund CFDA 84.394
<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?	No

**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

THIS PAGE INTENTIONALLY LEFT BLANK.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether [insert name of school district] (the District [replace with School for community schools]) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on February 13, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 12, 2012

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.auditor.state.oh.us

This page intentionally left blank.



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
APRIL 10, 2012**