



Dave Yost • Auditor of State

**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mogadore Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mogadore Local School District, Summit County, Ohio, as of and for the year ended June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2.Q. to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 29, 2015

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Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The discussion and analysis of the Mogadore Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net position decreased \$924,055, which represents an 18% decrease from 2012.
- Capital assets decreased \$351,302 during fiscal year 2013.
- During the year, outstanding bonded debt decreased from \$10,735,289 to \$10,575,578 due to the refunding of the 2005 bond issue and principal payments made by the School District.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and debt service fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 19 and 20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets		
Current and Other Assets	\$ 6,761,858	\$ 7,432,721
Capital Assets	12,928,190	13,279,492
<i>Total Assets</i>	19,690,048	20,712,213
Liabilities		
Other Liabilities	4,321,782	4,250,114
Long-Term Liabilities	11,149,506	11,319,284
<i>Total Liabilities</i>	15,471,288	15,569,398
Net Position		
Net Investment in Capital Assets	2,818,177	2,992,255
Restricted	657,620	786,824
Unrestricted	742,963	1,363,736
<i>Total Net Position</i>	\$ 4,218,760	\$ 5,142,815

At year end, capital assets represented 66 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets was \$2,818,177 at June 30, 2013. These capital assets are used to provide services to students and are not available for future spending. Although the School District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$657,620 or 16 percent represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$742,963 may be used to meet the government's ongoing obligations to students and creditors.

Overall current assets decreased \$670,863. This was mainly due to a decrease in cash and investments caused by operating expenses outpacing revenues.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,881,149	\$ 1,921,296
Operating Grants	489,151	517,902
<i>Total Program Revenues</i>	<u>2,370,300</u>	<u>2,439,198</u>
<i>General Revenues:</i>		
Property Taxes	3,376,348	3,469,078
Grants and Entitlements Not Restricted	4,295,040	4,345,438
Other	62,669	79,412
<i>Total General Revenues</i>	<u>7,734,057</u>	<u>7,893,928</u>
<i>Total Revenues</i>	<u>10,104,357</u>	<u>10,333,126</u>
Program Expenses		
Instruction:		
Regular	4,515,705	4,585,854
Special	1,147,612	931,066
Vocational	99,444	109,359
Student Intervention Services	552,934	678,594
Other	142,709	213,699
Support Services:		
Pupils	435,579	370,278
Instructional Staff	341,256	292,372
Board of Education	52,291	63,536
Administration	752,611	720,537
Fiscal	343,489	414,685
Business	350	365
Operation and Maintenance of Plant	891,474	857,706
Pupil Transportation	374,570	386,504
Central	11,335	44,748
Operation of Non-Instructional Services:		
Food Service Operations	302,199	338,945
Extracurricular Activities	458,945	430,106
Debt Service:		
Interest and Fiscal Charges	605,909	531,091
<i>Total Expenses</i>	<u>11,028,412</u>	<u>10,969,445</u>
<i>Increase (Decrease) in Net Position</i>	(924,055)	(636,319)
<i>Net Position at Beginning of Year</i>	<u>5,142,815</u>	<u>5,779,134</u>
<i>Net Position at End of Year</i>	<u>\$ 4,218,760</u>	<u>\$ 5,142,815</u>

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Charges for services reported a \$40,147 decrease over the prior year as a result of open enrollment decreasing over the prior year. Property tax revenue also reported a decrease in the amount of \$92,730, primarily from the decrease of the amount of taxes available as an advance at year end.

Total expenses reported a small increase of \$58,967, or .5 percent. There were no significant fluctuations or events within each program (function) contributing to this change.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2013	2012	2013	2012
Instruction:				
Regular	\$ 4,515,705	\$ 4,585,854	\$ 2,957,840	\$ 2,908,307
Special	1,147,612	931,066	857,716	646,335
Vocational	99,444	109,359	99,444	109,359
Student Intervention Services	552,934	678,594	552,934	678,594
Other	142,709	213,699	142,709	213,699
Support Services:				
Pupils	435,579	370,278	367,744	322,508
Instructional Staff	341,256	292,372	327,751	279,632
Board of Education	52,291	63,536	52,291	63,536
Administration	752,611	720,537	752,246	720,537
Fiscal	343,489	414,685	343,489	414,685
Business	350	365	350	365
Operation and Maintenance of Plant	891,474	857,706	891,474	857,706
Pupil Transportation	374,570	386,504	374,570	386,504
Central	11,335	44,748	11,335	44,748
Operation of Non-Instructional Services:				
Food Service Operations	302,199	338,945	(16,547)	34,257
Extracurricular Activities	458,945	430,106	336,857	318,384
Debt Service:				
Interest and Fiscal Charges	605,909	531,091	605,909	531,091
<i>Total Expenses</i>	\$ 11,028,412	\$ 10,969,445	\$ 8,658,112	\$ 8,530,247

The dependence upon general revenues for governmental activities is apparent. Nearly 79 percent of governmental activities are supported through taxes and other general revenues; such revenues are 77 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Governmental Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,032,671 and expenditures of \$11,158,061 for fiscal year. The net change in fund balances for the fiscal year was a decrease of \$970,644 for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of \$747,460. Overall operating costs are outpacing revenues.

The fund balance of the debt service fund decreased \$132,001. This decrease was caused by the timing of property tax collections and transfers from other funds as compared to debt service payments.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District did amend its general fund budget a few times. The School District uses site-based budgeting. Budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue of \$8,509,104 was \$45,939 lower than the final budget basis revenue of \$8,555,043. Most of this difference was due to an overestimation of tuition and fee revenue and intergovernmental funding. The final budgeted revenues reported no changes from the original budget.

Final expenditure appropriations of \$9,626,974 were \$410,270 higher than the actual expenditures of \$9,216,704. The School District was able to monitor costs sufficiently enough to spend less than appropriated amounts. The final budgeted revenues and appropriations reported minimal changes from the original budgets.

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$12,928,190 invested in capital assets. Table 4 shows fiscal year 2013 balances compared with 2012.

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

	Governmental Activities	
	2013	2012
Land	\$ 98,050	\$ 98,050
Land Improvements	1,189,672	1,189,672
Buildings and Improvements	15,792,518	15,792,518
Furniture and Equipment	1,390,693	1,390,693
Vehicles	514,878	514,878
Accumulated Depreciation	(6,057,621)	(5,706,319)
<i>Totals</i>	<u>\$ 12,928,190</u>	<u>\$ 13,279,492</u>

The \$351,302 decrease in capital assets was attributable to depreciation expense. There were no current year asset additions. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2013, the School District had \$10,575,578 in bonded debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2013	2012
2005 School Improvement Bonds	\$ 85,000	\$ 8,350,000
2005 Capital Appreciation Bonds	82,682	179,997
Accretion on 2005 Capital Appreciation Bonds	212,281	365,579
Lease Revenue Bonds	1,700,000	1,755,000
Unamortized Premium on Lease Revenue Bonds	80,351	84,713
2012 Refunding Bonds	7,760,000	0
2012 Capital Appreciation Bonds	479,997	0
Accretion on 2012 Capital Appreciation Bonds	28,264	0
Refunding Premium	467,115	0
Accounting Loss	(320,112)	0
<i>Totals</i>	<u>\$ 10,575,578</u>	<u>\$ 10,735,289</u>

Mogadore Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Current Issues

The School District placed an operating levy on the November 2013 general election which did not pass. The School District has managed the expenditures very well unfortunately many revenue sources have continued to realize a downward trend. 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 will be difficult in the next few years. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio continues to modify the state funding formula.

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

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

Contacting the School District's Financial Management

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

Mogadore Local School District
Summit County, Ohio
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 2,852,430
Cash and Cash Equivalents in Segregated Accounts	1,565
Receivables:	
Intergovernmental	151,528
Property Taxes	3,531,315
Deferred Charges	225,020
Nondepreciable Capital Assets	98,050
Depreciable Capital Assets (Net)	12,830,140
<i>Total Assets</i>	19,690,048
Liabilities	
Accounts Payable	27,132
Accrued Wages and Benefits	699,702
Intergovernmental Payable	280,008
Matured Compensated Absences Payable	66,162
Accrued Interest Payable	22,828
Deferred Revenue	3,225,950
Long Term Liabilities:	
Due Within One Year	608,894
Due In More Than One Year	10,540,612
<i>Total Liabilities</i>	15,471,288
Net Position	
Net Investment in Capital Assets	2,818,177
Restricted For:	
Capital Outlay	373,246
Debt Service	109,431
Set Asides	31,768
Other Purposes	143,175
Unrestricted	742,963
<i>Total Net Position</i>	\$ 4,218,760

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues		Net (Expense)	
	Charges for	Operating	Revenue and	
Expenses	Services	Grants and	Changes in Net Position	
	and Sales	Contributions	Governmental	
			Activities	
Governmental Activities				
Instruction:				
Regular	\$ 4,515,705	\$ 1,501,661	\$ 56,204	\$ (2,957,840)
Special	1,147,612	43,757	246,139	(857,716)
Vocational	99,444	0	0	(99,444)
Student Intervention Services	552,934	0	0	(552,934)
Other	142,709	0	0	(142,709)
Support Services:				
Pupils	435,579	43,283	24,552	(367,744)
Instructional Staff	341,256	12,830	675	(327,751)
Board of Education	52,291	0	0	(52,291)
Administration	752,611	0	365	(752,246)
Fiscal	343,489	0	0	(343,489)
Business	350	0	0	(350)
Operation and Maintenance of Plant	891,474	0	0	(891,474)
Pupil Transportation	374,570	0	0	(374,570)
Central	11,335	0	0	(11,335)
Operation of Non-Instructional Services:				
Food Service Operations	302,199	160,851	157,895	16,547
Extracurricular Activities	458,945	118,767	3,321	(336,857)
Debt Service:				
Interest and Fiscal Charges	605,909	0	0	(605,909)
Total	\$ 11,028,412	\$ 1,881,149	\$ 489,151	(8,658,112)

General Revenues

Property Taxes Levied for:	
General Purposes	2,786,890
Debt Service	427,277
Capital Outlay	162,181
Grants and Entitlements Not Restricted to Specific Programs	4,295,040
Investment Earnings	17,517
Miscellaneous	45,152
Total General Revenues	7,734,057
Change in Net Position	(924,055)
Net Position Beginning of Year	5,142,815
Net Position End of Year	\$ 4,218,760

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 2,240,326	\$ 95,941	\$ 484,395	\$ 2,820,662
Cash and Cash Equivalents in Segregated Accounts	0	0	1,565	1,565
Restricted Cash and Investments	31,768	0	0	31,768
Receivables:				
Interfund	21,748	0	0	21,748
Intergovernmental	54,498	0	97,030	151,528
Property Taxes	2,934,551	420,008	176,756	3,531,315
<i>Total Assets</i>	<u>\$ 5,282,891</u>	<u>\$ 515,949</u>	<u>\$ 759,746</u>	<u>\$ 6,558,586</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 22,415	\$ 0	\$ 4,717	\$ 27,132
Accrued Wages and Benefits	612,431	0	87,271	699,702
Intergovernmental Payable	271,153	0	8,855	280,008
Matured Compensated Absences Payable	66,162	0	0	66,162
Interfund Payable	0	0	21,748	21,748
Deferred Revenue	2,749,512	393,525	240,072	3,383,109
<i>Total Liabilities</i>	<u>3,721,673</u>	<u>393,525</u>	<u>362,663</u>	<u>4,477,861</u>
Fund Balances				
Restricted	31,768	122,424	493,200	647,392
Assigned	873,930	0	0	873,930
Unassigned	655,520	0	(96,117)	559,403
<i>Total Fund Balances</i>	<u>1,561,218</u>	<u>122,424</u>	<u>397,083</u>	<u>2,080,725</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,282,891</u>	<u>\$ 515,949</u>	<u>\$ 759,746</u>	<u>\$ 6,558,586</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total Governmental Fund Balances		\$ 2,080,725
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,928,190
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 82,698	
Intergovernmental	<u>74,461</u>	157,159
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		225,020
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(22,828)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(7,845,000)	
Capital Appreciation Bonds	(562,679)	
Lease Revenue Bonds	(1,700,000)	
Premium on Lease Revenue Bonds	(80,351)	
Premium on Refunding Bonds	(467,115)	
Refunding Loss	320,112	
Accretion of Interest - Capital Appreciation Bonds	(240,545)	
Compensated Absences	<u>(573,928)</u>	<u>(11,149,506)</u>
 <i>Net Position of Governmental Activities</i>		 <u>\$ 4,218,760</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 2,785,171	\$ 429,680	\$ 162,007	\$ 3,376,858
Intergovernmental	3,991,657	229,087	467,513	4,688,257
Investment Income	17,517	0	0	17,517
Tuition and Fees	1,556,333	0	0	1,556,333
Extracurricular Activities	63,997	0	99,970	163,967
Charges for Services	0	0	160,850	160,850
Contributions and Donations	286	0	23,451	23,737
Miscellaneous	45,152	0	0	45,152
<i>Total Revenues</i>	<u>8,460,113</u>	<u>658,767</u>	<u>913,791</u>	<u>10,032,671</u>
Expenditures				
Current:				
Instruction:				
Regular	4,322,789	0	123,061	4,445,850
Special	905,622	0	239,465	1,145,087
Vocational	99,247	0	0	99,247
Student Intervention Services	553,279	0	0	553,279
Other	142,709	0	0	142,709
Support Services:				
Pupils	421,640	0	10,375	432,015
Instructional Staff	307,011	0	28,240	335,251
Board of Education	52,291	0	0	52,291
Administration	735,618	0	151	735,769
Fiscal	328,741	9,058	3,400	341,199
Business	350	0	0	350
Operation and Maintenance of Plant	750,777	0	0	750,777
Pupil Transportation	345,928	0	0	345,928
Central	11,335	0	0	11,335
Extracurricular Activities	230,236	0	113,628	343,864
Operation of Non-Instructional Services:				
Food Service Operations	0	0	301,193	301,193
Capital Outlay	0	0	45,124	45,124
Debt Service:				
Principal Retirement	0	177,315	0	177,315
Interest and Fiscal Charges	0	744,965	0	744,965
Issuance Costs	0	154,513	0	154,513
<i>Total Expenditures</i>	<u>9,207,573</u>	<u>1,085,851</u>	<u>864,637</u>	<u>11,158,061</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(747,460)</u>	<u>(427,084)</u>	<u>49,154</u>	<u>(1,125,390)</u>
Other Financing Sources (Uses)				
Refunding Bonds Issued	0	8,239,997	0	8,239,997
Premium on Debt Issuance	0	491,699	0	491,699
Payment to Refunded Bond Escrow Agent	0	(8,576,950)	0	(8,576,950)
Transfers In	0	140,337	0	140,337
Transfers Out	0	0	(140,337)	(140,337)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>295,083</u>	<u>(140,337)</u>	<u>154,746</u>
<i>Net Change in Fund Balance</i>	<u>(747,460)</u>	<u>(132,001)</u>	<u>(91,183)</u>	<u>(970,644)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,308,678</u>	<u>254,425</u>	<u>488,266</u>	<u>3,051,369</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,561,218</u>	<u>\$ 122,424</u>	<u>\$ 397,083</u>	<u>\$ 2,080,725</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	(970,644)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. There were no assets purchased during the fiscal year.		
Current Year Depreciation		(351,302)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	\$ (511)	
Intergovernmental	72,197	71,686
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	25,000	
Lease Revenue Bonds	55,000	
Capital Appreciation Bonds (Principal and Accreted Interest)	320,180	400,180
Issuance of refunding bonds results in expenditures and other financial sources and uses in the governmental funds, but these transactions are reflected in the statement of net position as long-term assets and liabilities.		
Payments to Refund Bond Escrow Agent	8,576,950	
Proceeds of Refunding Bonds	(8,239,997)	
Premium on Refunding Bonds	(491,699)	(154,746)
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net position.		
		154,513
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	13,880	
Amortization of Issuance Costs	(11,966)	
Amortization of Premium on Bonds	28,946	
Amortization of Refunding Loss	(16,838)	14,022
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		10,067
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		(97,831)
<i>Change in Net Position of Governmental Activities</i>	\$	(924,055)

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 2,930,989	\$ 2,930,989	\$ 2,925,707	\$ (5,282)
Intergovernmental	4,007,712	4,007,712	3,991,657	(16,055)
Investment Income	41,115	41,115	42,936	1,821
Tuition and Fees	1,554,809	1,554,809	1,532,719	(22,090)
Miscellaneous	20,418	20,418	16,085	(4,333)
<i>Total Revenues</i>	<u>8,555,043</u>	<u>8,555,043</u>	<u>8,509,104</u>	<u>(45,939)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,535,817	4,538,077	4,260,521	277,556
Special	701,084	698,794	944,542	(245,748)
Vocational	117,380	117,308	98,887	18,421
Student Intervention Services	700,856	675,448	556,868	118,580
Other	214,872	214,768	142,709	72,059
Support Services:				
Pupils	338,638	364,946	399,299	(34,353)
Instructional Staff	308,906	309,886	300,779	9,107
Board of Education	65,139	64,898	56,189	8,709
Administration	771,112	772,574	736,427	36,147
Fiscal	422,824	421,572	344,282	77,290
Business	374	374	350	24
Operation and Maintenance of Plant	777,045	776,481	771,067	5,414
Pupil Transportation	407,418	406,138	383,282	22,856
Central	46,198	46,188	12,910	33,278
Extracurricular Activities	219,674	219,521	208,592	10,929
<i>Total Expenditures</i>	<u>9,627,337</u>	<u>9,626,974</u>	<u>9,216,704</u>	<u>410,270</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,072,294)</u>	<u>(1,071,931)</u>	<u>(707,600)</u>	<u>364,331</u>
Other Financing Sources (Uses)				
Transfers Out	(29,099)	(29,462)	(3,290)	26,172
<i>Total Other Financing Sources (Uses)</i>	<u>(29,099)</u>	<u>(29,462)</u>	<u>(3,290)</u>	<u>26,172</u>
<i>Net Change in Fund Balance</i>	(1,101,393)	(1,101,393)	(710,890)	390,503
<i>Fund Balance Beginning of Year</i>	2,696,009	2,696,009	2,696,009	0
Prior Year Encumbrances Appropriated	87,081	87,081	87,081	0
<i>Fund Balance End of Year</i>	<u>\$ 1,681,697</u>	<u>\$ 1,681,697</u>	<u>\$ 2,072,200</u>	<u>\$ 390,503</u>

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 5,717	\$ 52,577
Liabilities		
Due to Students	0	\$ 52,577
Net Position		
Held in Trust for Scholarships	\$ 5,717	

See accompanying notes to the basic financial statements.

Mogadore Local School District
Summit County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	<u>\$ 790</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>1,700</u>
<i>Change in Net Position</i>	(910)
<i>Net Position Beginning of Year</i>	<u>6,627</u>
<i>Net Position End of Year</i>	<u><u>\$ 5,717</u></u>

See accompanying notes and accountant's compilation report.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Description of the School District and Reporting Entity

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

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

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A. Basis of Presentation

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

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

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

Fund Financial Statements During the 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 are the School District's major governmental funds:

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District 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 the private purpose trust fund 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 Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, but which were levied to finance fiscal year 2014 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.

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 2013.

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 2013.

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 2013, investments were limited to federal agency instruments.

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 2013 amounted to \$17,517. The general fund interest includes \$3,627 assigned from other School District funds.

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

G. Deferred Charges and Note Premium

In governmental fund types, note and bond premiums and issuance costs are recognized in the period in which debt is issued. On the Statement of Net Position, 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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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. See Note 17 for additional information regarding set-asides.

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 Position

Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2013, there was no net position restricted by enabling legislation.

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

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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

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

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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Q. Changes in Accounting Principles

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, and GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School District.

Note 3 – Accountability

Deficit fund balances at June 30, 2013 include the following individual fund deficits:

	Deficit <u>Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service Fund	\$ 19,867
Title VI-B	45,420
Title I	22,363
Title VI-R	8,467

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.

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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 assigned, committed or restricted 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.

Net Change in Fund Balance

	General
GAAP Basis	\$ (747,460)
Net Adjustment for Revenue Accruals	136,888
Net Adjustment for Expenditure Accruals	11,282
Funds Budgeted Elsewhere**	(9,308)
Adjustment for Encumbrances	(102,292)
Budget Basis	\$ (710,890)

**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.

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Note 5 - Deposits and Investments

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

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

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

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

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

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 (STAR Ohio and STAR Plus);

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7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in the amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate notes interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the 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 \$750,073, and the bank balance was \$966,620. Of the bank balance:

1. \$250,000 the bank balance was covered by depository insurance; and
2. \$716,620 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments Investments are reported at fair value. As of June 30, 2013 the School District had the following investments and maturities:

Standard & Poors Rating		Fair Value	Investment Maturities (in months)			% Total Investments
			0 - 12	13 - 36	37 - 60	
AA-	Fifth Third US Treasury Money Market	\$ 113,711	\$ 113,711	\$ 0	\$ 0	5.26%
AA+	US Treasury Notes	252,363	252,363	0	0	11.67%
AAA	Fannie Mae	921,596	507,763	312,458	101,375	42.63%
AAA	Freddie Mac	773,517	203,746	569,771	0	35.77%
AAA	Federal Home Loan Bank	101,029	101,029	0	0	4.67%
Totals		\$ 2,162,216	\$ 1,178,612	\$ 882,229	\$ 101,375	100.00%

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

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

Credit Risk The School District's investments at June 30, 2013 are rated as shown above by Standard & Poor's. Federal money markets are exempt from ratings since explicitly guaranteed by a U.S. Government Agency. The School District's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officer and County Auditor, respectively, periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2013 was \$185,039 in the general fund, \$26,483 in the bond retirement debt service fund, and \$11,145 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$325,575 in the general fund, \$59,468 in the bond retirement debt service fund, and \$19,273 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 81,126,010	97.02%	\$ 80,317,780	96.84%
Public Utility Personal Property	2,492,480	2.98%	2,619,760	3.16%
Total	\$ 83,618,490	100.00%	\$ 82,937,540	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$83.29		 \$81.72	

Note 7 - Receivables

Receivables at June 30, 2013 consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of federal funds. All receivables are expected to be collected within one year.

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Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Reductions	Balance 6/30/2013
Governmental Activities				
Land	\$ 98,050	\$ 0	\$ 0	\$ 98,050
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,189,672	0	0	1,189,672
Building and Improvements	15,792,518	0	0	15,792,518
Furniture and Equipment	1,390,693	0	0	1,390,693
Vehicles	514,878	0	0	514,878
Total Capital Assets, being depreciated	<u>18,887,761</u>	<u>0</u>	<u>0</u>	<u>18,887,761</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,440,885)	(8,168)	0	(1,449,053)
Building and Improvements	(2,605,483)	(288,430)	0	(2,893,913)
Furniture and Equipment	(1,206,427)	(29,125)	0	(1,235,552)
Vehicles	(453,524)	(25,579)	0	(479,103)
Total Accumulated Depreciation	<u>(5,706,319)</u>	<u>(351,302)</u>	<u>0</u>	<u>(6,057,621)</u>
Total Capital Assets being depreciated, Net	<u>13,181,442</u>	<u>(351,302)</u>	<u>0</u>	<u>12,830,140</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 13,279,492</u>	 <u>\$ (351,302)</u>	 <u>\$ 0</u>	 <u>\$ 12,928,190</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 96,456
Special	11,125
Support Services:	
Pupils	3,361
Instructional Staff	882
Administration	11,109
Fiscal	187
Operation and Maintenance of Plant	132,773
Pupil Transportation	23,391
Food Service Operations	2,061
Extracurricular Activities	<u>69,957</u>
 Total Depreciation	 <u>\$ 351,302</u>

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Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted with the Bowers Insurance and Financial Services, Inc. for fleet, property and inland marine insurance coverage. Liability coverage is provided by the Ohio Casualty Group. Coverage is as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings and Contents	\$25,916,190	\$2,500
Inland Marine Coverage	86,305	500
Automobile Liability	2,000,000	100 - 250
Uninsured Motorists	2,000,000	100 - 250
Crime Insurance	10,000	1,000
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	2,000,000	0
Umbrella	1,000,000	0

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

For fiscal year 2013, 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 ranging from \$1,400 to \$1,996 for family coverage and from \$575 to \$820 for single coverage per employee per month.

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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 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$198,144, \$209,501 and \$209,051, respectively; 79 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

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B. State Teachers Retirement System

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

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$560,134, \$612,761 and \$643,290, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$1,078 made by the School District and \$770 made by the plan members.

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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 School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$25,291, \$27,637, and \$41,097, respectively; 79 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$11,193, \$10,849, and \$10,967, respectively; 79 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, 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, 2013, 2012, and 2011 were \$43,087, \$45,987, and \$48,296, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Balance 6/30/2012	Additions	Deductions	Refunding	Balance 6/30/2013	Amounts Due In One Year
<i>Capital Improvement Bonds 3.00% to 4.375% Maturing December 1, 2031</i>	\$ 8,350,000	\$ 0	\$ 25,000	\$ 8,240,000	\$ 85,000	\$ 25,000
<i>Capital Appreciation Bonds 4.5% Maturing December 1, 2013</i>	179,997	0	97,315	0	82,682	82,682
<i>Accretion on Capital Appreciation Bonds</i>	365,579	69,567	222,865	0	212,281	212,281
<i>Total Capital Appreciation Bonds</i>	<u>545,576</u>	<u>69,567</u>	<u>320,180</u>	<u>0</u>	<u>294,963</u>	<u>294,963</u>
<i>Lease Revenue Bonds 3.55% - 5.125% Maturing December 1, 2031:</i>						
<i>Serial and Term Bonds</i>	1,755,000	0	55,000	0	1,700,000	60,000
<i>Premium</i>	84,713	0	4,362	0	80,351	0
<i>Total Lease Revenue Bonds</i>	<u>1,839,713</u>	<u>0</u>	<u>59,362</u>	<u>0</u>	<u>1,780,351</u>	<u>60,000</u>
<i>2012 Refunding Bonds Maturing December 1, 2031:</i>						
<i>Serial and Term Bonds</i>	0	7,760,000	0	0	7,760,000	100,000
<i>Premium</i>	0	491,699	24,584	0	467,115	0
<i>Accounting Loss</i>	0	(336,950)	(16,838)	0	(320,112)	0
<i>Capital Appreciation Bonds Maturing December 1, 2017 and 2018</i>	0	479,997	0	0	479,997	0
<i>Accretion on Capital Appreciation Bonds</i>	0	28,264	0	0	28,264	0
<i>Total 2012 Refunding Bonds</i>	<u>0</u>	<u>8,423,010</u>	<u>7,746</u>	<u>0</u>	<u>8,415,264</u>	<u>100,000</u>
<i>Compensated Absences</i>	<u>583,995</u>	<u>90,721</u>	<u>100,788</u>	<u>0</u>	<u>573,928</u>	<u>128,931</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 11,319,284</u>	<u>\$ 8,583,298</u>	<u>\$ 513,076</u>	<u>\$ 8,240,000</u>	<u>\$ 11,149,506</u>	<u>\$ 608,894</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, lease revenue bonds and refunding 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. In fiscal year 2013, \$8,240,000 of these bonds were refunded.

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.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

These refunding bonds were issued with a premium of \$491,699, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight line method. The amortization for June 30, 2013 was \$24,584. The issuance costs of \$154,513 are being amortized to interest expense over the life of the bonds using the straight line method. The amortization for June 30, 2013 was \$7,719. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,458,080. The issuance resulted in an economic gain of \$1,162,462.

This bond issue consists of current interest and capital appreciation bonds.

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

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

The capital appreciation bonds mature on December 1, 2017 and December 1, 2018. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$845,000. For fiscal year 2013, \$28,264 was accreted for a liability of \$508,261.

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

Fiscal Year Ending June 30,	Capital Improvement/ Refunding Bonds		Capital Appreciation Bonds		Lease Revenue Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest	Principal	Interest
2014	\$ 125,000	\$ 188,132	\$ 82,682	\$ 237,318	\$ 60,000	\$ 83,181	\$ 267,682	\$ 508,631
2015	440,000	181,866	0	0	60,000	80,894	500,000	262,760
2016	445,000	172,511	0	0	60,000	78,532	505,000	251,043
2017	0	167,768	256,717	168,283	65,000	75,950	321,717	412,001
2018	0	167,768	223,280	196,720	65,000	72,903	288,280	437,391
2019-2023	2,190,000	730,860	0	0	390,000	308,012	2,580,000	1,038,872
2024-2028	2,450,000	475,417	0	0	500,000	194,750	2,950,000	670,167
2029-2032	2,195,000	133,342	0	0	500,000	53,045	2,695,000	186,387
Total	\$ 7,845,000	\$ 2,217,664	\$ 562,679	\$ 602,321	\$ 1,700,000	\$ 947,267	\$10,107,679	\$ 3,767,252

*Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 14 - Jointly Governed Organizations

A. Northeast Ohio Network for Educational Technology

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEONet) which is a computer consortium. NEONet is a jointly governed organization among School Districts located within the boundaries of Cuyahoga, Lake, Medina, Portage and Summit Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NEONet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEONet including budgeting, appropriating, contracting and designating management. All the NEONet revenues are generated from charges for services and state funding. To obtain financial information write NEONet, 700 Graham Road, Cuyahoga Falls, Ohio 44221. The Summit County Educational Service Center serves as the fiscal agent. NEONet is not dependent on the School District's participation, and no equity interest exists. The School District paid \$34,342 to NEONet during fiscal year 2013.

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. Ohio School Board Association (OSBA), Buckeye Association of School Administrators (BASA) and Ohio Association of School Business Officials (OASBO) executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to The Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Note 16 - Contingencies

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

Note 17 - Set-Asides

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

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

	<u>Capital Improvements</u>	<u>Budget Stabilization BWC Refund</u>
Set-Aside Restricted Balance as of June 30, 2012	\$ 6,646	\$ 31,768
Current Year Set-Aside Requirement	153,684	0
Qualifying Disbursements	<u>(254,368)</u>	<u>0</u>
Total	<u>\$ (94,038)</u>	<u>\$ 31,768</u>
Set-Aside Balance Carried Forward FY 2014	<u>\$ 0</u>	<u>\$ 31,768</u>
Set-Aside Restricted Balance as of June 30, 2013	<u>\$ 0</u>	<u>\$ 31,768</u>

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Note 18 – Interfund Balances

A. Interfund Receivables/Payables

Interfund balances at June 30, 2013 consisted of the following:

Fund	Interfund Receivable	Interfund Payable
<i>Major Governmental Funds:</i>		
General Fund	\$ 21,748	\$ 0
<i>Non-major Governmental Funds</i>		
Food Service Fund	0	16,312
Title VI-B Fund	0	2,712
Title VI-R Fund	0	2,724
<i>Total All Funds</i>	\$ 21,748	\$ 21,748

The general fund advanced monies to nonmajor governmental funds to cover expenditures until expected revenues were received. All interfund loans will be repaid in fiscal year 2014 with monies to be received from reimbursable expenditures incurred during fiscal year 2013.

B. Transfers

Transfers during June 30, 2013, consist of the following:

Fund	Transfers In	Transfers Out
<i>Major Governmental Funds:</i>		
Debt Service Fund	\$ 140,337	\$ 0
<i>Non-major Governmental Funds</i>		
Permanent Improvement Fund	0	140,337
<i>Total All Funds</i>	\$ 140,337	\$ 140,337

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

Note 19 – Fund Balance

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

Mogadore Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

	General	Debt Service Fund	Other Governmental Funds	Total
Restricted for:				
Budget Stabilization - BWC Refund	\$ 31,768	\$ 0	\$ 0	\$ 31,768
Capital Outlay	0	0	369,107	369,107
Federal Grant Programs	0	0	66,977	66,977
Debt Service	0	122,424	0	122,424
Athletics	0	0	39,069	39,069
Other Grants	0	0	18,047	18,047
Total Restricted	31,768	122,424	493,200	647,392
Assigned for:				
Encumbrances:				
Instruction	2,743	0	0	2,743
Support Services	84,522	0	0	84,522
Extracurricular	29	0	0	29
Assigned for Subsequent Year Appropriations	691,118	0	0	691,118
Other Purposes	95,518	0	0	95,518
Total Assigned	873,930	0	0	873,930
Unassigned	655,520	0	(96,117)	559,403
Total Fund Balance	\$ 1,561,218	\$ 122,424	\$ 397,083	\$ 2,080,725

Note 20 – Significant Encumbrances

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

Fund	Amount
General	\$ 87,294
Nonmajor Governmental	46,805
	\$ 134,099



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mogadore Local School District, Summit County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2015, wherein we noted the District adopted the provisions of Governmental Accounting Standards No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*"

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 29, 2015



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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
MAY 19, 2015**