

Mogadore Local School District
Summit County, Ohio

Basic External Financial Statements
For The Fiscal Year Ended June 30, 2006

Treasurer's Office
Mr. Chris Adams



Mary Taylor, CPA
Auditor of State

Board of Education
Mogadore Local School District
1 South Cleveland Ave
Mogadore, Ohio 44260

We have reviewed the *Independent Auditor's Report* of the Mogadore Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mogadore Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 31, 2008

This Page is Intentionally Left Blank.

Mogadore Local School District
Summit County, Ohio
Table of Contents

<u>Title</u>	<u>Page</u>
Independent Accountants' Report – June 30, 2006	1
Management's Discussion and Analysis – For the Year Ended June 30, 2006	3
Basic Financial Statements	
Governmental-Wide Financial Statements:	
Statement of Net Assets – June 30, 2006	11
Statement of Activities – For the Fiscal Year Ended June 30, 2006	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds – June 30, 2006	14
Reconciliation of Total Governmental Fund Balances to Net Net Assets of Governmental Activities - June 30, 2006	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - For the Fiscal Year Ended June 30, 2006	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - For the Fiscal Year Ended June 30, 2006	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2006	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds - June 30, 2006	19
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2006	20

This Page is Intentionally Left Blank.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2007

The Board of Education
Mogadore Local School District
1 South Cleveland Ave.
Mogadore, Ohio 44260

INDEPENDENT AUDITOR'S REPORT

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 (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mogadore Local School District
Independent Auditor's Report
Page 2

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The discussion and analysis of Mogadore Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

- In total, net assets increased by \$2,400,920.
- Revenues for governmental activities totaled \$11,484,555 during 2006. Of this total, 87 percent consisted of General revenues while Program revenues accounted for the balance of 13 percent.
- Program expenses totaled \$9,083,635. Instructional expenses made up 53 percent of this total while support services accounted for 36 percent. Other expenses rounded out the remaining 11 percent.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2006?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major fund. 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, the bond retirement fund and the building capital projects fund.

Governmental Funds

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

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

Table 1
Net Assets

	<i>Governmental Activities</i>	
	<i>2006</i>	<i>2005</i>
Assets		
Current and Other Assets	\$17,486,409	\$22,228,306
Capital Assets, Net	7,770,604	2,243,511
<i>Total Assets</i>	25,257,013	24,471,817
Liabilities		
Current and Other Liabilities	5,267,528	17,098,114
Long-term Liabilities:		
Due Within One Year	463,177	201,444
Due in More than One Year	10,467,677	514,549
<i>Total Liabilities</i>	16,198,382	17,814,107
Net Assets		
Invested in Capital Assets, Net of Debt	2,319,133	1,288,118
Restricted	690,136	583,219
Unrestricted	6,049,362	4,786,374
<i>Total Net Assets</i>	\$9,058,631	\$6,657,711

Total assets increased by \$785,196. The majority of the increase can be attributed to increased capital asset values.

Total liabilities decreased by \$1,615,725. This decrease can be attributed mainly to the reduced deferred revenues due to an increased amount available for advances on property taxes at June 30, 2006.

By comparing assets and liabilities, one can see the overall position of the School District is stable and continues to thrive.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$10,000,761 or 87 percent of the total revenue. The most significant portion of general revenues is local property tax and state support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,483,794 or 13 percent of total revenue.

Table 2 shows the changes in net assets and compares revenue and expenses from fiscal year 2006 to fiscal year 2005. A comparative analysis of government-wide data is presented.

Table 2
Changes in Net Assets

	<i>Governmental Activities 2006</i>	<i>Governmental Activities 2005</i>
Revenues		
Program Revenues:		
Charges for Services	\$1,140,411	\$1,078,264
Operating Grants and Contributions	343,383	389,262
Capital Grants and Contributions	0	6,930
<i>Total Program Revenues</i>	<u>1,483,794</u>	<u>1,474,456</u>
General Revenues:		
Property Taxes	6,942,310	4,870,288
Grants and Entitlements	2,464,594	2,184,824
Investments	575,221	250,638
Miscellaneous	18,636	18,482
<i>Total General Revenues</i>	<u>10,000,761</u>	<u>7,324,233</u>
<i>Total Revenues</i>	<u>11,484,555</u>	<u>8,798,689</u>
Program Expenses		
Instruction		
Regular	3,775,554	3,496,928
Special	991,434	1,044,322
Vocational	68,719	64,682
Support Services:		
Pupil	407,868	425,238
Instructional Staff	451,435	511,705
Board of Education	46,358	46,393
Administration	668,427	669,549
Fiscal	381,908	330,137
Business	439	575
Operation and Maintenance	881,805	1,106,192
Pupil Transportation	370,083	410,735
Central	101,824	96,045
Operating of Non-Instructional Services	109,678	113,144
Extracurricular Activities	314,859	360,616
Interest and Fiscal Charges	513,244	161,128
<i>Total Program Expenses</i>	<u>9,083,635</u>	<u>8,837,389</u>
<i>Increase (Decrease) in Net Assets</i>	2,400,920	(38,700)
<i>Net Assets Beginning of Year</i>	<u>6,657,711</u>	<u>6,696,411</u>
<i>Net Assets End of Year</i>	<u>\$9,058,631</u>	<u>\$6,657,711</u>

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Governmental Activities

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

As one can see, approximately 53 percent of the School Districts expense is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 36 percent. The remaining amount of program expenses, 11 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows a comparative of the total cost of services for governmental activities and the net cost of those services for fiscal year 2006 to fiscal year 2005. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	<i>Total Cost of Services 2006</i>	<i>Net Cost of Services 2006</i>	<i>Total Cost of Services 2005</i>	<i>Net Cost of Services 2005</i>
Instruction				
Regular	\$3,775,554	\$3,719,886	\$3,496,928	\$2,623,161
Special	991,434	(91,641)	1,044,322	797,822
Vocational	68,719	68,719	64,682	64,682
Support Services:				
Pupils	407,868	346,733	425,238	358,002
Instructional Staff	451,435	420,139	511,705	444,820
Board of Education	46,358	46,358	46,393	46,393
Administration	668,427	668,427	669,549	667,796
Fiscal	381,908	376,908	330,137	325,137
Business	439	439	575	575
Operation and Maintenance	881,805	872,805	1,106,192	1,106,192
Pupil Transportation	370,083	370,083	410,735	410,735
Central	101,824	101,824	96,045	87,045
Operation of Non-Instructional Services	109,678	(8,125)	113,144	28,930
Extracurricular Activities	314,859	194,042	360,616	240,515
Interest and Fiscal Charges	513,244	513,244	161,128	161,128
<i>Total</i>	<u>\$9,083,635</u>	<u>\$7,599,841</u>	<u>\$8,837,389</u>	<u>\$7,362,933</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 64 percent of total costs are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 27 percent of total costs, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 16 percent of all governmental expenses.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

School District's Funds

Information regarding the School District's major funds can be found on page 21 and 22 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources totaled \$22,265,778 and expenditures and other financing uses totaled \$25,961,767. The General Fund balance increased by \$1,199,355 mainly due to increased cash balance, the bond retirement debt service fund balance decreased by \$38,265 due to additional debt expenditures and the building capital projects fund balance decreased by \$5,121,078 due to spending for the construction of the new buildings.

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 funds to be budgeted is the operating fund of the School District, the general fund, the bond retirement fund and the building capital projects fund.

During the course of fiscal 2006, the School District amended its general fund budget numerous times, none significant. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the final and original budget basis revenue and other financing sources estimate totaled \$7,562,423. No modifications were made during the fiscal year. The original and final budget for the general fund's budget basis expenditures and other financing uses estimate totaled \$8,936,961, compared to the final \$9,156,662. The increase can mainly be attributed in increased spending in regular instruction.

The School District's general fund unencumbered ending cash balance totaled \$5,366,880, which was above the original budgeted amount, due to additional property tax collections.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the School District had \$7,770,604 invested in land and improvements, construction in progress, buildings and improvements, furniture and fixtures, vehicles, net of accumulated depreciation. Table 4 shows fiscal 2006 values compared to 2005.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

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

	<i>Governmental Activities</i>	
	2006	2005
Land and Improvements	\$1,246,881	\$1,217,445
Construction in Progress	6,208,505	710,345
Buildings and Improvements	2,445,459	2,371,378
Furniture and Fixtures	1,383,088	1,326,379
Vehicles	472,678	429,183
Accumulated Deprecation	(3,986,007)	(3,811,219)
<i>Totals</i>	\$7,770,604	\$2,243,511

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

Debt

At June 30, 2006 the School District had \$10,460,246 in bonded debt outstanding. Table 5 below summarizes the School District's debt outstanding.

Table 5
Outstanding Debt, at June 30

	<i>Governmental Activities</i>	
	2006	2005
Bond Anticipation Note	\$0	\$10,650,000
School Improvement Bonds	10,375,246	10,000
Energy Conservation Improvement Bonds	85,000	160,000
<i>Totals</i>	\$10,460,246	\$10,820,000

The energy conservation bond will be repaid by December 1, 2007 and the school improvement bond will be repaid by December 1, 2031. For more information on outstanding debt refer to Note 15 of the basic financial statements.

School District Outlook

Mogadore Local Schools has a strong financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May of 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. In December, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding system. The decision reaffirmed earlier decisions that Ohio's current school funding system is unconstitutional. However, the Supreme Court also relinquished jurisdiction over the case and directed the "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding. The State has stated that the per pupil revenue for a minimum education should be increased at an inflationary rate of 2.2 percent per year for future years, however the cost of doing business factor has been eliminated when computing state funding which will have negative effect on the funds received from the State. The affect of a property reappraisal will have a negative affect on the State's share of per pupil funding. With 60 percent of the revenue for the School District coming from property taxes, one can see the significant impact this constraint would have on the School District and ultimately, the residential taxpayers.

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

Contacting the School District's Financial Management

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

Mogadore Local School District

Statement of Net Assets

June 30, 2006

	<u>Governmental</u> <u>Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,061,499
Cash and Cash Equivalents in Segregated Accounts	2,499
Inventory Held for Resale	6,136
Accrued Interest Receivable	88,219
Intergovernmental Receivable	20,304
Prepaid Items	18,607
Taxes Receivable	5,289,145
Non-Depreciable Capital Assets	6,306,555
Depreciable Capital Assets, net	1,464,049
Total Assets	25,257,013
Liabilities	
Accounts Payable	72,840
Accrued Wages and Benefits	521,653
Intergovernmental Payable	203,785
Contracts Payable	867,346
Accrued Interest Payable	34,909
Unearned Revenue	3,566,995
Long-Term Liabilities:	
Due Within One Year	463,177
Due in More Than One Year	10,467,677
Total Liabilities	16,198,382
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,319,133
Restricted for Debt Service	258,100
Restricted for Capital Outlay	259,066
Restricted for Other Purposes	172,970
Unrestricted	6,049,362
Total Net Assets	\$9,058,631

See Accompanying Notes to the Basic Financial Statements

This Page Intentionally Left Blank

Mogadore Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	<u>Program Revenues</u>			<i>Net (Expenses) Revenue and Changes in Net Assets</i>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Instruction:				
Regular	\$3,775,554	\$16,741	\$38,927	(\$3,719,886)
Special	991,434	857,790	225,285	91,641
Vocational	68,719	0	0	(68,719)
Support Services:				
Pupils	407,868	57,534	3,601	(346,733)
Instructional Staff	451,435	13,443	17,853	(420,139)
Board of Education	46,358	0	0	(46,358)
Administration	668,427	0	0	(668,427)
Fiscal	381,908	0	5,000	(376,908)
Business	439	0	0	(439)
Operation and Maintenance of Plant	881,805	0	9,000	(872,805)
Pupil Transportation	370,083	0	0	(370,083)
Central	101,824	0	0	(101,824)
Operation of Non-Instructional Services	109,678	74,086	43,717	8,125
Extracurricular Activities	314,859	120,817	0	(194,042)
Interest and Fiscal Charges	513,244	0	0	(513,244)
Totals	<u>\$9,083,635</u>	<u>\$1,140,411</u>	<u>\$343,383</u>	<u>(7,599,841)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	5,838,417
Capital Purposes	334,113
Debt Service	769,780
Grants and Entitlements not Restricted to Specific Program:	2,464,594
Investment Earnings	575,221
Miscellaneous	18,636
Total General Revenues	<u>10,000,761</u>
Change in Net Assets	2,400,920
Net Assets Beginning of Year	<u>6,657,711</u>
Net Assets End of Year	<u>\$9,058,631</u>

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District

*Balance Sheet
Governmental Funds
June 30, 2006*

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>Building Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,625,223	\$131,921	\$5,797,393	\$475,194	\$12,029,731
Cash and Cash Equivalents					
in Segregated Accounts	0	0	0	2,499	2,499
Inventory Held for Resale	0	0	0	6,136	6,136
Accrued Interest Receivable	51,137	0	37,082	0	88,219
Interfund Receivable	5,637	0	0	0	5,637
Prepaid Assets	18,607	0	0	0	18,607
Intergovernmental Receivable	14,667	0	0	5,637	20,304
Taxes Receivable	4,352,931	662,850	0	273,364	5,289,145
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	31,768	0	0	0	31,768
Total Assets	\$10,099,970	\$794,771	\$5,834,475	\$762,830	\$17,492,046
Liabilities					
Accounts Payable	\$59,024	\$0	\$6,024	\$7,792	\$72,840
Accrued Wages and Benefits	514,457	0	0	7,196	521,653
Intergovernmental Payable	196,723	0	0	7,062	203,785
Interfund Payable	0	0	0	5,637	5,637
Contracts Payable	0	0	867,346	0	867,346
Deferred Revenue	2,905,608	509,806	0	200,119	3,615,533
Total Liabilities	3,675,812	509,806	873,370	227,806	5,286,794
Fund Balances					
Reserved for Encumbrances	231,673	0	1,049,203	8,088	1,288,964
Reserved for Property Taxes	1,447,323	153,044	0	73,245	1,673,612
Reserved for Budget Stabilization	31,768	0	0	0	31,768
Unreserved, Undesignated, Reported in:					
General Fund	4,713,394	0	0	0	4,713,394
Special Revenue Funds	0	0	0	165,626	165,626
Debt Service Fund	0	131,921	0	0	131,921
Capital Projects Funds	0	0	3,911,902	288,065	4,199,967
Total Fund Balances	6,424,158	284,965	4,961,105	535,024	12,205,252
Total Liabilities and Fund Balances	\$10,099,970	\$794,771	\$5,834,475	\$762,830	\$17,492,046

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2006

<i>Total Governmental Fund Balances</i>		\$12,205,252
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,770,604
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds: Property Taxes		48,538
In the statement of activities, interest is accrued on outstanding bonds, notes and capital leases, whereas in governmental funds, an interest expenditure is reported when due.		(34,909)
Long-term liabilities, including bonds payable, notes payable and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(\$10,434,997)	
Accreted Bonds	(25,249)	
Compensated Absences	(413,097)	
Capital Leases Payable	(57,511)	
	<hr/>	
Total		<hr/> <u>(10,930,854)</u>
<i>Net Assets of Governmental Activities</i>		<hr/> <u>\$9,058,631</u>

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>Building Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
Taxes	\$5,832,767	\$768,412	\$0	\$333,658	\$6,934,837
Intergovernmental	2,332,703	107,058	0	364,615	2,804,376
Interest	200,643	0	374,578	373	575,594
Tuition and Fees	857,790	0	0	24,108	881,898
Extracurricular Activities	0	0	0	160,266	160,266
Gifts and Donations	9,200	0	0	13,545	22,745
Customer Sales and Services	0	0	0	74,086	74,086
Miscellaneous	4,851	0	2,175	13,844	20,870
Total Revenues	9,237,954	875,470	376,753	984,495	11,474,672
Expenditures					
Current:					
Instruction:					
Regular	3,697,309	0	0	70,656	3,767,965
Special	772,356	0	0	224,979	997,335
Vocational	68,541	0	0	0	68,541
Support Services:					
Pupils	378,317	0	0	56,745	435,062
Instructional Staff	417,577	0	0	37,831	455,408
Board of Education	46,358	0	0	0	46,358
Administration	658,478	0	0	0	658,478
Fiscal	340,650	11,586	19,360	9,823	381,419
Business	439	0	0	0	439
Operation and Maintenance of Plant	886,608	0	0	0	886,608
Pupil Transportation	390,805	0	0	0	390,805
Central	82,610	0	0	0	82,610
Operation of Non-Instructional Services	0	0	0	135,425	135,425
Extracurricular Activities	185,494	0	0	120,448	305,942
Capital Outlay	45,291	0	5,478,471	19,175	5,542,937
Debt Service:					
Principal	17,537	11,035,000	0	0	11,052,537
Interest and Fiscal Charges	3,988	611,214	0	0	615,202
Total Expenditures	7,992,358	11,657,800	5,497,831	675,082	25,823,071
Excess of Revenues (Under) Expenditures	1,245,596	(10,782,330)	(5,121,078)	309,413	(14,348,399)
Other Financing Sources (Uses)					
Transfers In	0	92,055	0	46,641	138,696
General Obligation Bonds Issued	0	10,650,000	0	0	10,650,000
Proceeds from the Sale of Capital Assets	400	0	0	0	400
Other Financing Sources	0	2,010	0	0	2,010
Transfers Out	(46,641)	0	0	(92,055)	(138,696)
Total Other Financing Sources (Uses)	(46,241)	10,744,065	0	(45,414)	10,652,410
Net Change in Fund Balances	1,199,355	(38,265)	(5,121,078)	263,999	(3,695,989)
Fund Balances Beginning of Year	5,224,803	323,230	10,082,183	271,025	15,901,241
Fund Balances End of Year	\$6,424,158	\$284,965	\$4,961,105	\$535,024	\$12,205,252

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds (\$3,695,989)

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

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

Capital Assets - Additions	\$5,709,100	
Depreciation	(182,005)	
<i>Total</i>		5,527,095

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. 7,473

Proceeds from the sale of bonds are revenues in the governmental funds,
but increase long-term liabilities in the statement of net assets. (10,675,246)

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

Note Retirement	10,650,000	
Bond Payments	385,000	
Capital Lease Payments	17,537	
<i>Total</i>		11,052,537

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas
in governmental funds, an interest expenditure is reported when due. 127,202

Some expenses reported in the statement of activities, such as compensated absences,
do not require the use of current financial resources and therefore are not reported
as expenditures in the governmental funds. 57,848

Changes in Net Assets of Governmental Activities \$2,400,920

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance with</i>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<i>Positive (Negative)</i>
Revenues				
Property Taxes	\$4,369,746	\$4,369,746	\$4,696,296	\$326,550
Intergovernmental	2,172,699	2,172,699	2,325,020	152,321
Interest	150,000	150,000	219,682	69,682
Tuition and Fees	836,900	836,900	857,790	20,890
Gifts and Donations	8,000	8,000	9,200	1,200
Miscellaneous	17,000	17,000	4,851	(12,149)
Total Revenues	7,554,345	7,554,345	8,112,839	558,494
Expenditures				
Current:				
Instruction:				
Regular	3,621,152	3,721,424	3,712,945	8,479
Special	993,216	1,006,852	850,183	156,669
Vocational	69,472	70,332	71,867	(1,535)
Support Services:				
Pupils	449,972	515,572	417,370	98,202
Instructional Staff	453,428	455,595	444,039	11,556
Board of Education	89,977	93,927	67,414	26,513
Administration	742,596	748,337	704,769	43,568
Fiscal	385,894	387,894	340,984	46,910
Business	200	700	439	261
Operation and Maintenance of Plant	1,093,615	1,160,290	992,231	168,059
Pupil Transportation	518,693	510,693	421,764	88,929
Central	144,644	150,644	85,617	65,027
Extracurricular Activities	197,901	198,601	188,696	9,905
Capital Outlay	81,201	61,401	46,291	15,110
Total Expenditures	8,841,961	9,082,262	8,344,609	737,653
Excess of Revenues Under Expenditures	(1,287,616)	(1,527,917)	(231,770)	1,296,147
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	0	0	400	400
Advances In	8,078	8,078	9,115	1,037
Transfers Out	(80,000)	(62,400)	(46,641)	15,759
Advances Out	(15,000)	(12,000)	(5,637)	6,363
Total Other Financing Sources (Uses)	(86,922)	(66,322)	(42,763)	23,559
Net Change in Fund Balance	(1,374,538)	(1,594,239)	(274,533)	1,319,706
Fund Balance Beginning of Year	5,273,814	5,273,814	5,273,814	0
Prior Year Encumbrances Appropriated	367,599	367,599	367,599	0
Fund Balance End of Year	\$4,266,875	\$4,047,174	\$5,366,880	\$1,319,706

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u><i>Agency Fund</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$33,688</u>
<i>Total Assets</i>	<u><u>\$33,688</u></u>
<i>Liabilities</i>	
Accounts Payable	\$1,725
Due to Students	<u>31,963</u>
<i>Total Liabilities</i>	<u><u>\$33,688</u></u>

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 1 - Description of the School District and Reporting Entity

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately four square miles. It is located in Summit and Portage Counties, and includes the entire Village of Mogadore and portions of Suffield Township. It is staffed by 40 non-certificated employees and 68 certificated personnel who provide services to 909 students and other community members. The School District operates three instructional buildings and one bus garage.

Reporting Entity

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

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

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Northeast Ohio Network for Educational Technology, Maplewood Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Stark County Schools Council of Government Health Benefits Program. These organizations are presented in Notes 16 and 17 to the basic financial statements

Note 2 - Summary of Significant Accounting Policies

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

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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.

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

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Building Capital Projects Fund The building fund accounts for bond proceeds and interest revenue to be used for the construction of a new high school and renovate existing buildings.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

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

C. Measurement Focus

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

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

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. Fiduciary funds also 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income and 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 nonexchange 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, 2006, but which were levied to finance fiscal year 2006 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 donated commodities 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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

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. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final certificate of estimated resources issued during fiscal year 2006.

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 2006.

F. Cash and Cash Equivalents

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

During fiscal year 2006, investments were limited to repurchase agreements, STAROhio, federal agency instruments and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, building capital projects fund, miscellaneous grant special revenue fund and athletic and music special revenue fund during fiscal year 2006 amounted to \$200,643, \$374,578, \$312 and \$61, respectively. The general fund interest includes \$6,019 assigned from other School District funds.

For presentation on the financial statements, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food, and supplies held for consumption and are expensed when used.

I. 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 for the purchases of textbooks and other instructional materials and creates a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District capitalization threshold is \$500. 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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

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

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

K. Interfund Balances

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

L. 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.

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

M. 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, compensated absences, special termination benefits and contractually required pension contributions 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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

N. Net Assets

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

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

O. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for property taxes and encumbrances and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. 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.

Q. 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 3 – Changes in Accounting Principles

For fiscal year 2006, the School District has implemented GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, GASB Statement No. 46 “Net Assets Restricted for Enabling Legislation” and GASB Statement No. 47, “Accounting for Termination Benefits”.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairments of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the School District as previously reported at June 30, 2005.

Note 4 - Budgetary Basis of Accounting

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

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

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

	<u>General</u>
<i>GAAP Basis</i>	\$1,199,355
Net Adjustment for Revenues	(1,125,115)
Advances In	9,115
Net Adjustment for Expenditures	(62,130)
Advances Out	(5,637)
Adjustment for Encumbrances	(290,121)
<i>Budget Basis</i>	<u><u>(\$274,533)</u></u>

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 5 - Deposits and Investments (continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$528,901, exclusive of the \$380,000 repurchase agreement amount included in investments below. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2006, \$500,000 of the School District's bank balance of \$601,747 was exposed to custodial risk as discussed below, while \$101,747 was covered by Federal Deposit Insurance Corporation.

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 public deposits it holds or as specific collateral held at the Federal Reserve bank in the name of the School District.

Investments As of June 30, 2006, the School District had the following investments and maturities:

<i>Investment Type</i>	<i>Fair Value</i>	<i>6 months or Less</i>	<i>7 to 12 Months</i>	<i>13 to 24 Months</i>	<i>25 to 36 Months</i>	<i>37 to 48 Months</i>
Repurchase Agreement	\$380,000	\$380,000	\$0	\$0	\$0	\$0
Money Market Fund	1,283,555	1,283,555	0	0	0	0
US Treasury N/B	399,141	0	0	199,416	199,725	0
FANNIE MAE	2,690,974	0	500,470	842,303	748,350	599,851
FNMA	569,844	0	569,844	0	0	0
FHLB	1,534,868	0	0	297,206	497,486	740,176
FNMA Discount Note	1,053,751	0	1,053,751	0	0	0
FRE Discount Note	2,013,783	0	2,013,783	0	0	0
FREDDIE MAC	1,642,869	0	0	497,540	895,441	249,888
Totals	<u>\$11,568,785</u>	<u>\$1,663,555</u>	<u>\$4,137,848</u>	<u>\$1,836,465</u>	<u>\$2,341,002</u>	<u>1,589,915</u>

The weighted average maturity of the investment is 1.99 years.

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

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 5 - Deposits and Investments (continued)

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. Of the School District's \$380,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The School District's investments, except for the repurchase agreement as discussed above, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned an AAAM market rating to the money market fund.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent Of Total</u>
Repurchase Agreement	\$380,000	3.28%
Money Market Fund	1,283,555	11.09
US Treasury N/B	399,141	3.45
FANNIE MAE	2,690,974	23.26
FNMA	569,844	4.93
FHLB	1,534,868	13.27
FNMA Discount Note	1,053,751	9.11
FRE Discount Note	2,013,783	17.41
FREDDIE MAC	1,642,869	14.20
<i>Totals</i>	<u>\$11,568,785</u>	<u>100.00%</u>

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2005, were levied after April 1, 2005 and are collected in 2006 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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 6 - Property Taxes (continued)

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the values as of December 31, 2005. Tangible personal property is currently assessed at twenty-three percent of true value for capital assets and twenty-four percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Summit and Portage Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$1,673,612 and is recognized as revenue. \$1,447,323 was available to the general fund, \$153,044 was available to the debt service fund and \$73,245 was available to the permanent improvement fund.

On a full 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 2006 taxes were collected are:

	<i>2006 First</i>		<i>2005 Second</i>	
	<i>Half Collections</i>		<i>Half Collections</i>	
	<u><i>Amount</i></u>	<u><i>Percent</i></u>	<u><i>Amount</i></u>	<u><i>Percent</i></u>
Agricultural/Residential and Other Real Estate	\$84,969,120	67.31%	\$82,671,114	67.31%
Public Utility Personal	2,941,600	2.19	2,687,180	2.19
Tangible Personal Property	<u>27,547,005</u>	<u>30.50</u>	<u>37,480,018</u>	<u>30.50</u>
	<u>\$115,457,725</u>	<u>100.00%</u>	<u>\$122,838,312</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of assessed valuation	 \$73.37		 \$73.37	

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 7 - Receivables

Receivables at June 30, 2006, consisted of property taxes, accounts (rent, tuition and fees), intergovernmental grants, accrued interest, and interfunds. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<i>Amounts</i>
Tuition	\$14,667
Grants	5,637
<i>Total Intergovernmental Receivables</i>	\$20,304

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<i>Balance at 6/30/05</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/06</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Construction-in-Progress	\$710,345	\$5,498,160	\$0	\$6,208,505
Land	98,050	0	0	98,050
<i>Total Capital Assets, not being depreciated</i>	808,395	5,498,160	0	6,306,555
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,119,394	29,437	0	1,148,831
Buildings and Buildings Improvements	2,371,378	74,081	0	2,445,459
Furniture and Fixtures	1,326,379	63,927	(7,218)	1,383,088
Vehicles	429,183	43,495	0	472,678
<i>Total Capital Assets, being depreciated</i>	5,246,334	210,940	(7,218)	5,450,056
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,023,046)	(47,587)	0	(1,070,633)
Buildings and Buildings Improvements	(1,563,130)	(39,543)	0	(1,602,673)
Furniture and Fixtures	(972,761)	(68,816)	7,038	(1,034,539)
Vehicles	(252,283)	(25,879)	0	(278,162)
<i>Total Accumulated Depreciation</i>	(3,811,220)	(181,825)	7,038	(3,986,007)
<i>Governmental Activities Capital Assets, Net</i>	\$2,243,509	\$5,527,275	(\$180)	\$7,770,604

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 8 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$65,213
Special	2,037
Vocational	59
Support Services:	
Pupil	3,865
Instructional Staff	8,390
Administration	8,155
Fiscal	942
Operation and Maintenance of Plant	60,853
Pupil Transportation	20,564
Operation of Non-Instructional Services	2,061
Extracurricular Activities	9,686
	<u>181,825</u>
<i>Total Depreciation Expense</i>	<u>\$181,825</u>

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 2006, the School District contracted with the Broderick Insurance Agency for fleet, property and inland marine insurance coverage. Liability coverage is provided by the Ohio School Plan (OSP). Settled claims have not exceeded this commercial coverage in any of the past three years. Coverage is as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings and Contents	\$16,993,121	\$500
Builders Risk	11,840,400	500
Inland Marine Coverage	86,845	25
Boiler and Machinery	20,627,982	2,500
Automobile Liability	2,000,000	100 - 500
Uninsured Motorists	2,000,000	100 - 500
Crime Insurance	5,000	25
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (G.P.), an insurance purchasing pool (Note 17). 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 to the G.P.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 9 - Risk Management (continued)

The School District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of approximately 40 members. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$951.25 for family coverage and \$390.95 for single coverage per employee per month.

Note 10 - Employee Benefits

A. Compensated Absences

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

B. Life Insurance

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

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues publicly available general purpose financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 11 - Defined Benefit Pension Plans (continued)

A. State Teachers Retirement System (continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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.

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2006, 2005, and 2004 were \$491,736, \$474,461, and \$400,013, respectively; equal to the required contributions for each year. The full amount has been contributed for 2005 and 2004, 83 percent has been contributed for 2006, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

B. School Employees Retirement System

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 School District 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 2006, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$115,786, \$113,827, and \$79,391, respectively; the full amount has been contributed for fiscal year 2005 and 2004, 51 percent has been contributed for fiscal year 2006, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 11 - Defined Benefit Pension Plans (continued)

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. As of June 30, 2006, there were no members of the Board of Education that have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The STRS board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$37,826, for fiscal year 2006.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District the amount contributed to fund health care benefits, including surcharge, equaled \$58,853 during the 2006 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Net health care costs for the year ending June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants eligible to receive benefits.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 13 - Capital Leases

The School District has entered into a capitalized lease for phone equipment and copiers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership of the lessee.

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$147,930. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2006 totaled \$17,537 from the general fund. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006.

<i>Fiscal Year Ending June 30,</i>	<i>Amount</i>
2007	\$21,525
2008	21,525
2009	19,732
<i>Total</i>	<u>62,782</u>
Less: Amount Representing Interest	<u>(5,271)</u>
<i>Present Value of Net Minimum Payments</i>	<u><u>\$57,511</u></u>

Note 14- Notes Payable

On December 30, 2004, the School District had issued a short term 3.00% bond anticipation note in the amount of \$10,650,000. The note was completely retired on October 26, 2005, upon the issuance of the long-term capital improvement bonds.

Note 15- Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	<i>Balance</i>			<i>Balance</i>	
	<i>6/30/05</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/06</i>	<i>Amounts Due In One Year</i>
<i>Compensated Absences</i>	\$470,945	\$86,554	(\$144,402)	\$413,097	\$89,569
<i>Capital Leases</i>	75,048	0	(17,537)	57,511	18,608
<i>Capital Improvement Bonds 3.00% to 4.375% Maturing December 1, 2031</i>	<u>0</u>	<u>10,470,000</u>	<u>(300,000)</u>	<u>10,170,000</u>	<u>270,000</u>
<i>Capital Appreciation Bonds 4.5% Maturing December 1, 2013</i>	0	179,997	0	179,997	0
<i>Accretion on Capital Appreciation Bonds</i>	0	25,249	0	25,249	0
<i>Total Capital Appreciation Bonds</i>	<u>0</u>	<u>205,246</u>	<u>0</u>	<u>205,246</u>	<u>0</u>
<i>Energy Conservation Improvement Bonds</i>	170,000	0	(85,000)	85,000	85,000
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$715,993</u>	<u>\$10,761,800</u>	<u>(\$546,939)</u>	<u>\$10,930,854</u>	<u>\$463,177</u>

Compensated absences will be paid from the fund from which employee's are paid, generally the General Fund. The capital leases will be paid from the general fund. The energy conservation improvement bond, capital improvements bonds and capital appreciation bonds will be repaid from the debt service fund.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 15- Long-Term Obligations (continued)

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 high school building and make improvements to existing buildings.

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

<i>Fiscal Year</i> <i>Ending June 30,</i>	<i>Capital Improvements Bonds</i>		<i>Capital Appreciation Bonds</i>		<i>Energy Conservation Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2007	\$270,000	\$412,537	\$0	\$0	\$85,000	\$2,337
2008	290,000	403,649	0	0	0	0
2009	300,000	393,893	0	0	0	0
2010	310,000	383,437	0	0	0	0
2011	320,000	372,287	0	0	0	0
2012-2016	1,090,000	1,393,168	179,997	809,790	0	0
2017-2021	1,855,000	1,438,211	0	0	0	0
2022-2026	2,280,000	1,009,615	0	0	0	0
2027-2031	2,815,000	458,608	0	0	0	0
2032	640,000	14,000	0	0	0	0
<i>Total</i>	<i>\$10,170,000</i>	<i>\$6,279,405</i>	<i>\$179,997</i>	<i>\$809,790</i>	<i>\$85,000</i>	<i>\$2,337</i>

Note 16 - Jointly Governed Organizations

A. Northeast Ohio Network for Educational Technology

The School District is a participant in the Northeast Ohio Network for Educational Technology (NEOnet) which is a computer consortium. NEOnet is a jointly governed organization among 17 School Districts located within the boundaries of Portage and Summit Counties, and other counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NEOnet is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All the NEOnet revenues are generated from charges for services and state funding. To obtain financial information write NEOnet, 420 Washington Ave., Cuyahoga Falls, Ohio 44221.

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 the Maplewood Joint Vocational School, 7075 State Route 88, Ravenna, Ohio 44266.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 17 - Public Entity Risk Pools

A. Stark County Schools Council of Government

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

B. Ohio School Plan

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

C. Ohio School Boards Association Worker's Compensation Group

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

Note 18 - Contingencies

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

Note 19 - Set-Asides

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

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

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 19 - Set-Asides(continued)

	<i>Textbooks</i>	<i>Capital Acquisition</i>	<i>Budget Stabilization</i>
<i>Set-Aside Cash Balance as of June 30, 2005</i>	\$0	\$0	\$31,768
Current Year Set-Aside Requirement	128,165	128,165	0
Qualifying Disbursements	<u>(128,165)</u>	<u>(6,580,383)</u>	<u>0</u>
<i>Total</i>	<u>\$0</u>	<u>\$0</u>	<u>\$31,768</u>
<i>Set-Aside Cash Balance as of June 30, 2006</i>	<u>\$0</u>	<u>\$0</u>	<u>\$31,768</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero, this extra amount can not be carried forward into future years.

Note 20 – Interfund Transactions

Interfund balances/transfers during June 30, 2006, consist of the following:

<i>Fund</i>	<i>Receivable</i>	<i>Payable</i>	<i>Transfer In</i>	<i>Transfer Out</i>
<i>Major Governmental Funds:</i>				
General	\$5,637	\$0	\$0	\$46,641
Bond Retirement Fund	0	0	92,055	0
<i>Non-major Governmental Funds</i>				
Permanent Improvements	0	0	0	92,055
Food Service	0	0	30,000	0
Uniform School Supplies	0	0	577	0
Pupil School Support	0	0	9,064	0
Title VI-R	<u>0</u>	<u>5,637</u>	<u>7,000</u>	<u>0</u>
<i>Total Non-Major Governmental Funds</i>	<u>0</u>	<u>5,637</u>	<u>46,641</u>	<u>92,055</u>
<i>Total All Funds</i>	<u>\$5,637</u>	<u>\$5,637</u>	<u>\$138,696</u>	<u>\$138,696</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

The transfers made from the general fund were made to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer made from the permanent improvement fund to the bond retirement fund was made to make principal and interest payments. Transfers between governmental funds are eliminated on the governmental-wide financials. All transfers were made in compliance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 21 – Contractual Commitments

As of June 30, 2006, the following are the outstanding contractual commitments for the new facility construction project on the new high school:

<i>Contractor</i>	<i>Contract Amount</i>	<i>Amount Paid at 6/30/06</i>
Capital Aluminum & Glass Corporation	\$185,243	\$23,250
Cincinnati Floor Company	132,315	12,115
Comfort Control Group, Inc	129,269	16,080
Golub Mechanical Contractors	366,000	64,122
Imperial Heating & Cooling, Inc.	588,000	126,449
Hammond Construction, Inc.	447,510	209,986
Michael DiMaio & Associates	710,000	650,005
R.B. Thomas Electric Co. Inc.	866,175	214,625
S.A. Communale	191,528	83,026
Sommers Roofing	448,900	157,680
Stonecreek Interior Systems	208,300	6,042
Summit Construction	5,145,800	1,139,570
Stonecreek Interior Systems	208,300	6,042

Note 22 – Subsequent Events

The School District issued \$2,000,000 in lease revenue bonds during October, 2006. The interest rates range from 3.55% to 5.125%. The bonds will mature on December 1, 2031. The debt was issued at a premium of \$109,053 which will be amortized over the life of the bonds. The lease revenue bonds were issued to make improvements to the School District's existing buildings and pay a portion of the costs associated with the construction of the new school building housing grades seven through twelve.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2007

To the Board of Education
Mogadore Local School District
1 South Cleveland Ave.
Mogadore, OH 44260

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mogadore Local School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mogadore Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Mogadore Local School District in a separate letter dated December 28, 2007.

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

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

MOGADORE LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2008**