

Mogadore Local School District
Summit County, Ohio

Basic External Financial Statements
For The Fiscal Year Ended June 30, 2007

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, 2006 through June 30, 2007. 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

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Mogadore Local School District
Summit County, Ohio
Table of Contents

<u>Title</u>	<u>Page</u>
Independent Accountants' Report – June 30, 2007	1
Management's Discussion and Analysis – For the Year Ended June 30, 2007	3
Basic Financial Statements	
Governmental-Wide Financial Statements:	
Statement of Net Assets – June 30, 2007	11
Statement of Activities – For the Fiscal Year Ended June 30, 2007	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds – June 30, 2007	14
Reconciliation of Total Governmental Fund Balances to Net Net Assets of Governmental Activities - June 30, 2007	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - For the Fiscal Year Ended June 30, 2007	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, 2007	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, 2007	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds - June 30, 2007	19
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2007	20

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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, 2007, 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, 2007, 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.

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, 2007

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, 2007. 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 2007 are as follows:

- In total, net assets increased \$226,975.
- Revenues for governmental activities totaled \$9,274,120 during 2007. Of this total, 93 percent consisted of General revenues while Program revenues accounted for the balance of 7 percent.
- Program expenses totaled \$9,047,145. Instructional expenses made up 54 percent of this total while support services accounted for 35 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 2007?" 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, 2007

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 funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, 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, 2007

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 2007 compared to 2006:

Table 1
Net Assets

	<i>Governmental Activities</i>	
	<i>2007</i>	<i>2006</i>
Assets		
Current and Other Assets	\$13,500,844	\$17,486,409
Capital Assets, Net	13,234,872	7,770,604
<i>Total Assets</i>	26,735,716	25,257,013
Liabilities		
Current and Other Liabilities	4,792,126	5,267,528
Long-term Liabilities:		
Due Within One Year	369,812	463,177
Due in More than One Year	12,288,172	10,467,677
<i>Total Liabilities</i>	17,450,110	16,198,382
Net Assets		
Invested in Capital Assets, Net of Debt	1,051,587	2,319,133
Restricted	2,237,103	690,136
Unrestricted	5,996,916	6,049,362
<i>Total Net Assets</i>	\$9,285,606	\$9,058,631

Total assets increased by \$1,478,703. The majority of the increase can be attributed to increased capital assets since the School District is in the process of building new school buildings.

Total liabilities increased by \$1,251,728. This increase can be attributed mainly to the issuance of \$2,000,000 in lease revenue bonds.

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, 2007

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$8,637,237 or 93 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 \$636,884 or 7 percent of total revenue.

Table 2 shows the changes in net assets and compares revenue and expenses from fiscal year 2007 to fiscal year 2006. A comparative analysis of government-wide data is presented.

Table 2
Changes in Net Assets

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
Revenues		
Program Revenues:		
Charges for Services	\$287,347	\$1,140,411
Operating Grants and Contributions	349,537	343,383
Total Program Revenues	<u>636,884</u>	<u>1,483,794</u>
General Revenues:		
Property Taxes	3,953,600	6,942,310
Grants and Entitlements	4,007,268	2,464,594
Investments	600,131	575,221
Miscellaneous	76,237	18,636
Total General Revenues	<u>8,637,236</u>	<u>10,000,761</u>
Total Revenues	<u>9,274,120</u>	<u>11,484,555</u>
Program Expenses		
Instruction		
Regular	4,220,963	3,775,554
Special	614,140	991,434
Vocational	77,418	68,719
Support Services:		
Pupil	470,308	407,868
Instructional Staff	374,009	451,435
Board of Education	30,813	46,358
Administration	598,111	668,427
Fiscal	341,943	381,908
Business	363	439
Operation and Maintenance	877,099	881,805
Pupil Transportation	370,319	370,083
Central	86,586	101,824
Operating of Non-Instructional Services	147,300	109,678
Extracurricular Activities	367,580	314,859
Interest and Fiscal Charges	470,193	513,244
Total Program Expenses	<u>9,047,145</u>	<u>9,083,635</u>
Increase in Net Assets	226,975	2,400,920
Net Assets Beginning of Year	<u>9,058,631</u>	<u>6,657,711</u>
Net Assets End of Year	<u>\$9,285,606</u>	<u>\$9,058,631</u>

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

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 54 percent of the School Districts expense is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 35 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 2007 to fiscal year 2006. 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 2007</i>	<i>Net Cost of Services 2007</i>	<i>Total Cost of Services 2006</i>	<i>Net Cost of Services 2006</i>
Instruction				
Regular	\$4,220,963	\$4,164,045	\$3,775,554	\$3,719,886
Special	614,140	380,545	991,434	(91,641)
Vocational	77,418	77,418	68,719	68,719
Support Services:				
Pupils	470,308	421,525	407,868	346,733
Instructional Staff	374,009	347,357	451,435	420,139
Board of Education	30,813	30,813	46,358	46,358
Administration	598,111	598,111	668,427	668,427
Fiscal	341,943	336,943	381,908	376,908
Business	363	363	439	439
Operation and Maintenance	877,099	877,099	881,805	872,805
Pupil Transportation	370,319	370,319	370,083	370,083
Central	86,586	77,586	101,824	101,824
Operation of Non-Instructional Services	147,300	35,172	109,678	(8,125)
Extracurricular Activities	367,580	222,772	314,859	194,042
Interest and Fiscal Charges	470,193	470,193	513,244	513,244
Total	\$9,047,145	\$8,410,261	\$9,083,635	\$7,599,841

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 44 percent of total costs are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 44 percent of total costs, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 7 percent of all governmental expenses.

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 \$11,507,825 and expenditures and other financing uses totaled \$15,048,032. The general fund balance decreased by \$40,010 due to decreased property tax collections, the bond retirement debt service fund balance decreased by \$154,069 due to debt retirement expenditures and the building capital projects fund balance decreased by \$3,401,138 due to construction expenditures for the new school building.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, 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 original budget basis revenue and other financing sources estimate totaled \$8,149,521 and the final budget basis revenue and other financing sources estimate totaled \$8,095,846. The decrease can be attributed to less intergovernmental revenues. The original and final budget basis expenditures and other financing uses totaled \$8,923,822, there was no change during the fiscal year.

The School District's general fund unencumbered ending cash balance totaled \$6,181,934, which was above the original budgeted amount, due to reduced spending during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the School District had \$13,234,872 invested in construction in progress, land and improvements, buildings and improvements, furniture and fixtures, vehicles, net of accumulated depreciation. Table 4 shows fiscal 2007 values compared to 2006.

Mogadore Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Capital Assets at June 30
(Net of Depreciation)

	<i>Governmental Activities</i>	
	<u>2007</u>	<u>2006</u>
Construction in Progress	\$11,809,187	\$6,208,505
Land	98,050	98,050
Land Improvements	1,148,831	1,148,831
Buildings and Improvements	2,447,459	2,445,459
Furniture and Fixtures	1,386,241	1,383,088
Vehicles	497,178	472,678
Accumulated Deprecation	<u>(4,152,074)</u>	<u>(3,986,007)</u>
<i>Totals</i>	<u>\$13,234,872</u>	<u>\$7,770,604</u>

All capital assets are reported at historical cost. For more information on capital assets refer to Note 7 of the basic financial statements.

Debt

At June 30, 2007 the School District had \$12,248,090 in bonded debt outstanding. Table 5 below summarizes the School District's debt outstanding.

Table 5
Outstanding Debt at June 30, 2007

	<u>2007</u>	<u>2006</u>
School Improvement Bonds	\$9,900,000	\$10,170,000
Capital Appreciation Bonds	241,567	205,246
Lease Revenue Bonds	2,106,523	0
Energy Conservation Improvement Bonds	<u>0</u>	<u>85,000</u>
<i>Totals</i>	<u>\$12,248,090</u>	<u>\$10,460,246</u>

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

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, 2007

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 to 3.0 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 43 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, 2007

	<u>Governmental</u> <u>Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,775,178
Cash and Cash Equivalents in Segregated Accounts	2,499
Inventory Held for Resale	9,783
Accrued Interest Receivable	75,005
Accounts Receivable	47,361
Intergovernmental Receivable	5,600
Prepaid Items	13,629
Taxes Receivable	4,468,081
Deferred Charges	103,708
Non-Depreciable Capital Assets	11,907,237
Depreciable Capital Assets, net	1,327,635
Total Assets	26,735,716
Liabilities	
Accounts Payable	40,130
Accrued Wages and Benefits	544,273
Intergovernmental Payable	228,271
Contracts Payable	226,395
Accrued Interest Payable	51,173
Accrued Vacation Leave Payable	57,603
Matured Compensated Absences Payable	21,615
Deferred Revenue	3,622,666
Long-Term Liabilities:	
Due Within One Year	369,812
Due in More Than One Year	12,288,172
Total Liabilities	17,450,110
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,051,587
Restricted for Debt Service	84,992
Restricted for Capital Outlay	2,010,894
Restricted for Other Purposes	141,217
Unrestricted	5,996,916
Total Net Assets	\$9,285,606

See Accompanying Notes to the Basic Financial Statements

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Mogadore Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	<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	\$4,220,963	\$19,668	\$37,250	(\$4,164,045)
Special	614,140	0	233,595	(380,545)
Vocational	77,418	0	0	(77,418)
Support Services:				
Pupils	470,308	46,141	2,642	(421,525)
Instructional Staff	374,009	7,464	19,188	(347,357)
Board of Education	30,813	0	0	(30,813)
Administration	598,111	0	0	(598,111)
Fiscal	341,943	0	5,000	(336,943)
Business	363	0	0	(363)
Operation and Maintenance of Plant	877,099	0	0	(877,099)
Pupil Transportation	370,319	0	0	(370,319)
Central	86,586	0	9,000	(77,586)
Operation of Non-Instructional Services	147,300	70,470	41,658	(35,172)
Extracurricular Activities	367,580	143,604	1,204	(222,772)
Interest and Fiscal Charges	470,193	0	0	(470,193)
Totals	<u>\$9,047,145</u>	<u>\$287,347</u>	<u>\$349,537</u>	<u>(8,410,261)</u>

General Revenues

Property Taxes Levied for:

General Purposes	3,396,405
Capital Purposes	224,231
Debt Service Fund	332,964
Grants and Entitlements not Restricted to Specific Program:	4,007,268
Investment Earnings	600,131
Miscellaneous	76,237

Total General Revenues 8,637,236

Change in Net Assets 226,975

Net Assets Beginning of Year 9,058,631

Net Assets End of Year \$9,285,606

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District

*Balance Sheet
Governmental Funds
June 30, 2007*

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$6,339,041	\$82,924	\$1,751,607	\$569,838	\$8,743,410
Cash and Cash Equivalents					
in Segregated Accounts	0	0	0	2,499	2,499
Inventory Held for Resale	0	0	0	9,783	9,783
Accrued Interest Receivable	67,377	0	7,628	0	75,005
Accounts Receivable	47,361	0	0	0	47,361
Interfund Receivable	754	0	0	0	754
Intergovernmental Receivable	4,800	0	0	800	5,600
Prepaid Items	13,629	0	0	0	13,629
Taxes Receivable	3,665,133	556,746	0	246,202	4,468,081
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	31,768	0	0	0	31,768
Total Assets	\$10,169,863	\$639,670	\$1,759,235	\$829,122	\$13,397,890
Liabilities					
Accounts Payable	\$22,344	\$0	\$1,698	\$16,088	\$40,130
Accrued Wages and Benefits	536,850	0	0	7,423	544,273
Intergovernmental Payable	222,024	0	0	6,247	228,271
Interfund Payable	0	0	0	754	754
Contracts Payable	28,825	0	197,570	0	226,395
Matured Compensated Absences Payable	21,615	0	0	0	21,615
Deferred Revenue	2,954,057	508,774	0	208,576	3,671,407
Total Liabilities	3,785,715	508,774	199,268	239,088	4,732,845
Fund Balances					
Reserved for Encumbrances	153,842	0	1,016,922	55,642	1,226,406
Reserved for Property Taxes	711,076	47,972	0	37,626	796,674
Reserved for Budget Stabilization	31,768	0	0	0	31,768
Unreserved, Undesignated, Reported in:					
General Fund	5,487,462	0	0	0	5,487,462
Special Revenue Funds	0	0	0	123,284	123,284
Debt Service Fund	0	82,924	0	0	82,924
Capital Projects Funds	0	0	543,045	373,482	916,527
Total Fund Balances	6,384,148	130,896	1,559,967	590,034	8,665,045
Total Liabilities and Fund Balances	\$10,169,863	\$639,670	\$1,759,235	\$829,122	\$13,397,890

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, 2007*

Total Governmental Fund Balances		\$8,665,045
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,234,872
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes		48,741
In the statement of activities, bond issuance cost are amortized costs of insurance to individual funds. The assets and liabilities over the life of the bonds, whereas in governmental funds, a bond issuance expense is reported when paid.		103,708
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.		(51,173)
Long-term liabilities, including bonds payable, notes payable, capital leases payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(\$10,079,997)	
Accreted Bonds	(61,570)	
Accrued Vacation	(57,603)	
Compensated Absences	(370,991)	
Revenue Lease Bonds	(2,000,000)	
Premium on Revenue Lease Bonds	(106,523)	
Capital Leases Payable	(38,903)	
	<hr/>	
Total		<u>(12,715,587)</u>
 Net Assets of Governmental Activities		 <u><u>\$9,285,606</u></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, 2007

	<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	\$3,393,589	\$335,739	\$0	\$224,069	\$3,953,397
Intergovernmental	2,891,083	198,084	0	398,328	3,487,495
Interest	402,837	0	197,294	688	600,819
Tuition and Fees	862,928	0	0	27,313	890,241
Extracurricular Activities	0	0	0	173,948	173,948
Gifts and Donations	1,700	0	0	11,788	13,488
Customer Sales and Services	0	0	0	70,470	70,470
Miscellaneous	69,777	0	250	9,522	79,549
Total Revenues	7,621,914	533,823	197,544	916,126	9,269,407
Expenditures					
Current:					
Instruction:					
Regular	4,089,664	0	0	75,485	4,165,149
Special	372,114	0	0	233,066	605,180
Vocational	77,313	0	0	0	77,313
Support Services:					
Pupils	411,782	0	0	52,109	463,891
Instructional Staff	344,613	0	0	23,207	367,820
Board of Education	30,813	0	0	0	30,813
Administration	595,898	0	0	0	595,898
Fiscal	321,859	8,354	6,126	10,055	346,394
Business	363	0	0	0	363
Operation and Maintenance of Plant	766,848	0	0	1,800	768,648
Pupil Transportation	328,435	0	0	24,500	352,935
Central	78,800	0	0	27,000	105,800
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	138,349	138,349
Extracurricular Activities	198,490	0	0	172,858	371,348
Capital Outlay	0	0	5,594,556	41,266	5,635,822
Debt Service:					
Principal	18,608	355,000	0	0	373,608
Interest and Fiscal Charges	2,917	414,758	0	0	417,675
Total Expenditures	7,638,517	778,112	5,600,682	799,695	14,817,006
Excess of Revenues (Under) Expenditures	(16,603)	(244,289)	(5,403,138)	116,431	(5,547,599)
Other Financing Sources (Uses)					
Transfers In	5,800	87,338	0	31,717	124,855
Lease Revenue Bonds Issued	0	0	2,000,000	0	2,000,000
Premium on Lease Revenue Bonds Issued	0	109,053	0	0	109,053
Proceeds from the Sale of Capital Assets	2,510	0	2,000	0	4,510
Discount on Lease Revenue Bonds Issued	0	(106,171)	0	0	(106,171)
Transfers Out	(31,717)	0	0	(93,138)	(124,855)
Total Other Financing Sources (Uses)	(23,407)	90,220	2,002,000	(61,421)	2,007,392
Net Change in Fund Balances	(40,010)	(154,069)	(3,401,138)	55,010	(3,540,207)
Fund Balances Beginning of Year	6,424,158	284,965	4,961,105	535,024	12,205,252
Fund Balances End of Year	\$6,384,148	\$130,896	\$1,559,967	\$590,034	\$8,665,045

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, 2007*

Net Change in Fund Balances - Total Governmental Funds (\$3,540,207)

*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	\$5,636,945	
Depreciation	(172,677)	
<i>Total</i>		5,464,268

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. 203

The issuance of refunding bonds resulted in other financing sources and uses in
the governmental funds, but these transactions are reflected in the statement of net assets as
liabilities or in the case of issuance costs, an assets.

Proceeds from Lease Revenue Bonds	(2,000,000)	
Issuance Costs	106,171	
Premium on Refunding Bonds Issued	(109,053)	
<i>Total</i>		(2,002,882)

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

Bond Payments	355,000	
Capital Lease Payments	18,608	
<i>Total</i>		373,608

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas
in governmental funds, an interest expenditure is reported when due. (16,264)

The amortization of issuance costs, bond premium and accretion is reflected as an expense
in the statement of activities:

Issuance Costs	(2,463)	
Premium	2,530	
Bond Accretion	(36,321)	
<i>Total</i>		(36,254)

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

Accrued Vacation	(57,603)	
Compensated Absences	42,106	
		(15,497)

Changes in Net Assets of Governmental Activities \$226,975

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, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$4,001,000	\$4,001,000	\$4,129,835	\$128,835
Intergovernmental	3,003,232	2,949,557	2,900,950	(48,607)
Interest	275,000	275,000	386,597	111,597
Tuition and Fees	852,652	852,652	862,928	10,276
Gifts and Donations	5,000	5,000	1,700	(3,300)
Miscellaneous	5,000	5,000	22,416	17,416
Total Revenues	8,141,884	8,088,209	8,304,426	216,217
Expenditures				
Current:				
Instruction:				
Regular	4,413,852	4,413,149	4,030,155	382,994
Special	516,773	515,323	410,928	104,395
Vocational	82,367	82,367	76,534	5,833
Support Services:				
Pupils	459,951	455,601	404,379	51,222
Instructional Staff	392,932	392,547	355,479	37,068
Board of Education	102,795	101,495	41,902	59,593
Administration	640,607	642,517	604,851	37,666
Fiscal	373,261	372,911	321,556	51,355
Business	600	600	363	237
Operation and Maintenance of Plant	1,060,900	1,080,525	866,456	214,069
Pupil Transportation	448,009	435,009	366,748	68,261
Central	125,922	125,922	81,875	44,047
Extracurricular Activities	206,853	206,856	198,668	8,188
Capital Outlay	39,000	39,000	1,090	37,910
Total Expenditures	8,863,822	8,863,822	7,760,984	1,102,838
Excess of Revenues Over				
(Under) Expenditures	(721,938)	(775,613)	543,442	1,319,055
Other Financing Sources (Uses)				
Transfers In	0	0	5,800	5,800
Advances In	5,637	5,637	5,637	0
Proceeds from Sale of Capital Assets	2,000	2,000	2,510	510
Transfers Out	(50,000)	(50,000)	(31,717)	18,283
Advances Out	(10,000)	(10,000)	(754)	9,246
Total Other Financing Sources (Uses)	(52,363)	(52,363)	(18,524)	33,839
Net Change in Fund Balance	(774,301)	(827,976)	524,918	1,352,894
Fund Balance Beginning of Year	5,366,880	5,366,880	5,366,880	0
Prior Year Encumbrances Appropriated	290,136	290,136	290,136	0
Fund Balance End of Year	\$4,882,715	\$4,829,040	\$6,181,934	\$1,352,894

See Accompanying Notes to the Basic Financial Statements

Mogadore Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u><i>Agency Fund</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$40,843</u>
<i>Total Assets</i>	<u><u>\$40,843</u></u>
<i>Liabilities</i>	
Undistributed Monies	\$10,917
Due to Students	<u>29,926</u>
<i>Total Liabilities</i>	<u><u>\$40,843</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, 2007

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 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Mogadore Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. 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, 2007

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 funds:

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

Debt Service Bond Retirement 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, 2007

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, 2007

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 5). 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, 2007, but which were levied to finance fiscal year 2007 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, 2007

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 2007.

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 2007.

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 2007, investments were limited to repurchase agreements, federal agency instruments and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, Martha Holding Jennings grants special revenue fund and athletic and music special revenue fund during fiscal year 2007 amounted to \$402,837, \$197,294, \$363 and \$325, respectively. The general fund interest includes approximately \$31,736 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, 2007, 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 18 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, 2007

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, 2007

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 2007.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 3 - 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.

	<i>General</i>
<i>GAAP Basis</i>	(\$40,010)
Net Adjustment for Revenues	682,512
Advances In	5,637
Net Adjustment for Expenditures	66,429
Advances Out	(754)
Adjustment for Encumbrances	(188,896)
<i>Budget Basis</i>	\$524,918

Note 4- 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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 4 - Deposits and Investments (continued)

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,
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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 4 - Deposits and Investments (continued)

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$1,247,599, exclusive of investments below. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2007, \$1,250,000 of the School District's bank balance of \$1,352,677 was exposed to custodial risk as discussed below, while \$102,677 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 uninsured 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, 2007 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	\$165,000	\$165,000	\$0	\$0	\$0	\$0
Money Market Fund	937,818	937,818	0	0	0	0
US Treasury N/B	399,139	0	0	0	399,139	0
FANNIE MAE	2,050,046	0	0	1,048,839	298,350	702,857
FHLMC DN	194,792	0	194,792	0	0	0
FHLB	1,193,962	200,653	0	297,205	696,104	0
FRE Discount Note	197,422	0	197,422	0	0	0
FREDDIE MAC DN	483,154	0	483,154	0	0	0
FREDDIE MAC	1,949,588	0	0	1,197,016	551,871	200,701
Totals	<u>\$7,570,921</u>	<u>\$1,303,471</u>	<u>\$875,368</u>	<u>\$2,543,060</u>	<u>\$1,945,464</u>	<u>903,558</u>

The weighted average maturity of the investment is 1.74 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.

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 \$165,000 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, 2007:

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 4 - Deposits and Investments (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent Of Total</u>
Repurchase Agreement	\$165,000	2.18%
Money Market Fund	937,818	12.39
US Treasury N/B	399,139	5.27
FANNIE MAE	2,050,046	27.08
FHLMC DN	194,792	2.57
FHLB	1,193,962	15.77
FRE Discount Note	197,422	2.61
FREDDIE MAC DN	483,154	6.38
FREDDIE MAC	1,949,588	25.75
<i>Totals</i>	<u>\$7,570,921</u>	<u>100.00%</u>

Note 5 - 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2006 and are collected in 2007 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.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the values as of December 31, 2006. 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 5 - Property Taxes (continued)

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, 2007, was \$796,674 and is recognized as revenue. \$711,076 was available to the general fund, \$47,972 was available to the debt service fund and \$37,626 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 2007 taxes were collected are:

	<i>2007 First Half Collections</i>		<i>2006 Second Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$87,627,510	82.29%	\$84,969,120	67.31%
Public Utility Personal	2,556,120	2.40	2,941,600	2.19
Tangible Personal Property	16,297,881	15.31	27,547,005	30.50
	\$106,481,511	100.00%	\$115,457,725	100.00%
Tax Rate per \$1,000 of assessed valuation	\$73.37		\$73.37	

Note 6 - Receivables

Receivables at June 30, 2007, 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>
Entry Year Teacher	\$4,800
Ohio Reads Grants	800
<i>Total Intergovernmental Receivables</i>	\$5,600

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<i>Balance at</i> <i>6/30/06</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at</i> <i>6/30/07</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Construction-in-Progress	\$6,208,505	\$5,600,682	\$0	\$11,809,187
Land	98,050	0	0	98,050
<i>Total Capital Assets, not being depreciated</i>	<u>6,306,555</u>	<u>5,600,682</u>	<u>0</u>	<u>11,907,237</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,148,831	0	0	1,148,831
Buildings and Buildings Improvements	2,445,459	2,000	0	2,447,459
Furniture and Fixtures	1,383,088	9,763	(6,610)	1,386,241
Vehicles	472,678	24,500	0	497,178
<i>Total Capital Assets, being depreciated</i>	<u>5,450,056</u>	<u>36,263</u>	<u>(6,610)</u>	<u>5,479,709</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,070,633)	(39,533)	0	(1,110,166)
Buildings and Buildings Improvements	(1,602,673)	(37,628)	0	(1,640,301)
Furniture and Fixtures	(1,034,539)	(66,238)	6,610	(1,094,167)
Vehicles	(278,162)	(29,278)	0	(307,440)
<i>Total Accumulated Depreciation</i>	<u>(3,986,007)</u>	<u>(172,677)</u>	<u>6,610</u>	<u>(4,152,074)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$7,770,604</u>	<u>\$5,464,268</u>	<u>\$0</u>	<u>\$13,234,872</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$53,632
Special	2,017
Vocational	59
<i>Support Services:</i>	
Pupil	5,137
Instructional Staff	7,804
Administration	7,352
Fiscal	743
Operation and Maintenance of Plant	62,219
Pupil Transportation	22,820
Operation of Non-Instructional Services	2,061
Extracurricular Activities	8,833
<i>Total Depreciation Expense</i>	<u>\$172,677</u>

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 8 - 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 2007, 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). 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

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (G.P.), an insurance purchasing pool (Note 15). The intent of the G.P. is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the G.P. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the G.P. Each participant pays its workers' compensation premium to the State based on the rate for the G.P. rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the G.P. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the G.P. Participation in the G.P. is limited to school districts that can meet the G.P.'s selection criteria. The firm of Sheakley Unicorp Inc. provides administrative, cost control and actuarial services of the G.P.

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

Note 9 - 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 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the 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 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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 10 - Defined Benefit Pension Plans (continued)

A. State Teachers Retirement System (continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the years ended June 30, 2007, 2006, and 2005 were \$485,888, \$491,736, and \$474,461, respectively; equal to the required contributions for each year. The full amount has been contributed for 2006 and 2005, 83 percent has been contributed for 2007, 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, 2007, 2006, and 2005 were \$117,700, \$115,786, and \$113,827, respectively; the full amount has been contributed for fiscal year 2006 and 2005, 51 percent has been contributed for fiscal year 2007, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

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, 2007, 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.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio) and to retired non-certificated 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 Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$37,376 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$58,630.

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 year. Expenses for health care at June 30, 2006, (the latest information available), 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 59,492 participants eligible to receive benefits.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 12 - 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 2007 totaled \$18,608 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, 2007.

<i>Fiscal Year Ending June 30,</i>	<i>Amount</i>
2008	\$21,525
2009	19,732
<i>Total</i>	41,257
Less: Amount Representing Interest	(2,354)
<i>Present Value of Net Minimum Payments</i>	<u>\$38,903</u>

Note 13- Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2007 were as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amounts Due</i>
	<i>6/30/06</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/07</i>	<i>In One Year</i>
<i>Compensated Absences</i>	\$413,097	\$47,463	(\$89,569)	\$370,991	\$20,067
<i>Capital Leases</i>	57,511	0	(18,608)	38,903	19,745
<i>Capital Improvement Bonds 3.00% to 4.375% Maturing December 1, 2031</i>	10,170,000	0	(270,000)	9,900,000	290,000
<i>Capital Appreciation Bonds 4.5% Maturing December 1, 2013</i>	179,997	0	0	179,997	0
<i>Accretion on Capital Appreciation Bonds</i>	25,249	36,321	0	61,570	0
<i>Total Capital Appreciation Bonds</i>	205,246	36,321	0	241,567	0
<i>Energy Conservation Improvement Bonds</i>	85,000	0	(85,000)	0	0
<i>Lease Revenue Bonds 3.55% - 5.125% Maturing December 1, 2031:</i>					
<i>Serial and Term Bonds</i>	0	2,000,000	0	2,000,000	40,000
<i>Premium</i>	0	109,053	(2,530)	106,523	0
<i>Total Lease Revenue Bonds</i>	0	2,109,053	(2,530)	2,106,523	40,000
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$10,930,854</u>	<u>\$2,192,837</u>	<u>(\$465,707)</u>	<u>\$12,657,984</u>	<u>\$369,812</u>

Compensated absences will be paid from the fund from which employee's are paid, which is typically the general and food service funds. The capital leases will be paid from the general fund. The capital improvements serial bonds, capital appreciation bonds and lease revenue 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, 2007

Note 13- 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 school building housing grades seven through twelve.

During fiscal year 2007, the School District issued lease revenue bonds in the amount of \$2,000,000. The bonds will mature December 1, 2031. The bonds were issued at a premium of \$109,053 which will be amortized over the life of the bonds. The interest rate range is 3.55% to 5.125%. The lease revenue bonds were issued to pay for capital improvements made to existing School District’s buildings and pay for a portion of the costs to build the new school building housing grades seven through twelve.

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

<i>Fiscal Year</i> <i>Ending June 30,</i>	<i>Capital Improvements Bonds</i>		<i>Capital Appreciation Bonds</i>		<i>Lease Revenue Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2008	\$290,000	\$403,649	\$0	\$0	\$40,000	\$149,689
2009	300,000	393,795	0	0	50,000	92,848
2010	310,000	383,795	0	0	50,000	91,062
2011	320,000	372,213	0	0	50,000	89,262
2012	330,000	360,405	0	0	55,000	87,365
2013-2017	1,105,000	1,349,651	179,997	809,790	300,000	403,895
2018-2022	1,930,000	1,361,205	0	0	370,000	327,486
2023-2027	2,375,000	909,623	0	0	475,000	219,730
2028-2032	2,940,000	332,718	0	0	610,000	81,489
<i>Total</i>	<i>\$9,900,000</i>	<i>\$5,867,054</i>	<i>\$179,997</i>	<i>\$809,790</i>	<i>\$2,000,000</i>	<i>\$1,542,826</i>

Note 14 - Jointly Governed Organizations

A. Northeast Ohio Network for Educational Technology

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

B. Maplewood Joint Vocational School

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

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 15 - Public Entity Risk Pools

A. Stark County Schools Council of Government

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

B. Ohio School Plan

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

C. Ohio School Boards Association Worker's Compensation Group

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

Note 16 - Contingencies

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

Note 17 - Set-Asides

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

The following cash basis information describes the change in the year-end set aside amounts for textbooks 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, 2007

Note 17 - Set-Asides (continued)

	<i>Textbooks</i>	<i>Capital Acquisition</i>	<i>Budget Stabilization</i>
<i>Set-Aside Cash Balance as of June 30, 2006</i>	\$0	\$0	\$31,768
Current Year Set-Aside Requirement	140,264	140,264	0
Qualifying Disbursements	(140,264)	(6,369,816)	0
<i>Total</i>	<u>\$0</u>	<u>\$0</u>	<u>\$31,768</u>
<i>Set-Aside Cash Balance as of June 30, 2007</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 18 – Interfund Transactions and Fund Deficits

Interfund balances/transfers during June 30, 2007, 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	\$754	\$0	\$5,800	\$31,717
Bond Retirement Fund	0	0	87,338	0
<i>Non-major Governmental Funds</i>				
Permanent Improvements	0	0	0	87,338
Food Service	0	0	10,000	0
Pupil School Support	0	0	8,717	5,800
Athletics & Music	0	0	13,000	0
Ohio Reads	0	754	0	0
<i>Total Non-Major Governmental Funds</i>	<u>0</u>	<u>754</u>	<u>31,717</u>	<u>93,138</u>
<i>Total All Funds</i>	<u>\$754</u>	<u>\$754</u>	<u>\$124,855</u>	<u>\$124,855</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, 2007 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. The transfer made from the public school support non-major special revenue fund was made to finance various student extracurricular programs. 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.

The following funds had fund deficits at fiscal year end; Title VI-B and Title I for \$805 and \$279, respectively. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

Mogadore Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 19 – Contractual Commitments

As of June 30, 2007, 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 6/30/07</i>
Imperial Heating & Cooling, Inc.	\$791,190	\$744,042
R.B. Thomas Electric Co. Inc.	966,029	919,150
Sommers Roofing, Inc.	449,284	418,834
Summit Construction	5,313,996	5,047,541
Michael DiMaio & Associates	625,259	556,625



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, Ohio 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 the Mogadore Local School District as of and for the year ended June 30, 2007, 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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Mogadore Local School District, Summit County, Ohio

Internal Control-Compliance Report

Page 2

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

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 also noted certain immaterial instances 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 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**