



**Auditor of State
Betty Montgomery**

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Mohawk Local School District
Wyandot County
295 State Highway 231
Sycamore, Ohio 44882

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Mohawk Local School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mohawk Local School District, Wyandot County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust 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 November 19, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards receipts and expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 19, 2003

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Mohawk Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Types
	General	Special Revenue	Enterprise	Trust and Agency
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,215,018	\$328,926	\$15,918	\$93,805
Receivables:				
Property Taxes	1,580,192	0	0	0
Income Taxes	372,989	0	0	0
Accounts	3,640	3,902	172	0
Intergovernmental	8,189	32,682	0	0
Accrued Interest	1,583	0	0	0
Prepaid Items	108,891	1,502	3,909	0
Inventory Held for Resale	0	0	9,021	0
Materials and Supplies Inventory	24,957	0	1,062	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,256	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	18,647	0
<u>Other Debits:</u>				
Amount Available in Special Revenue Fund for Termination Benefits	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	<u>\$3,339,715</u>	<u>\$367,012</u>	<u>\$48,729</u>	<u>\$93,805</u>

Account Groups		Totals
General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$0	\$0	\$1,653,667
0	0	1,580,192
0	0	372,989
0	0	7,714
0	0	40,871
0	0	1,583
0	0	114,302
0	0	9,021
0	0	26,019
0	0	24,256
7,023,387	0	7,042,034
0	200,453	200,453
0	390,060	390,060
<u>\$7,023,387</u>	<u>\$590,513</u>	<u>\$11,463,161</u>

(continued)

Mohawk Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003
 (continued)

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Types
	General	Special Revenue	Enterprise	Trust and Agency
<u>Liabilities, Fund Equity, and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$56,285	\$0	\$0	\$0
Accrued Wages and Benefits	838,198	30,403	30,373	0
Compensated Absences Payable	7,898	31,208	18,016	0
Intergovernmental Payable	156,170	3,870	19,658	0
Deferred Revenue	1,496,381	0	0	0
Due to Students	0	0	0	72,214
Special Termination Benefits Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Total Liabilities	<u>2,554,932</u>	<u>65,481</u>	<u>68,047</u>	<u>72,214</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	(22,684)	0
Contributed Capital	0	0	3,366	0
Fund Balance:				
Reserved for Property Taxes	153,396	0	0	0
Reserved for Bus Purchase	24,256	0	0	0
Reserved for Principal	0	0	0	16,000
Reserved for Encumbrances	51,547	5,413	0	310
Designated for Termination Benefits	0	200,453	0	0
Unreserved, Undesignated	555,584	95,665	0	5,281
Total Fund Equity (Deficit) and Other Credits	<u>784,783</u>	<u>301,531</u>	<u>(19,318)</u>	<u>21,591</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$3,339,715</u>	<u>\$367,012</u>	<u>\$48,729</u>	<u>\$93,805</u>

See Accompanying Notes to the General Purpose Financial Statements

Account Groups		Totals (Memorandum Only)
General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$56,285
0	0	898,974
0	446,583	503,705
0	66,245	245,943
0	0	1,496,381
0	0	72,214
0	21,560	21,560
0	56,125	56,125
<u>0</u>	<u>590,513</u>	<u>3,351,187</u>
7,023,387	0	7,023,387
0	0	(22,684)
0	0	3,366
0	0	153,396
0	0	24,256
0	0	16,000
0	0	57,270
0	0	200,453
0	0	656,530
<u>7,023,387</u>	<u>0</u>	<u>8,111,974</u>
<u>\$7,023,387</u>	<u>\$590,513</u>	<u>\$11,463,161</u>

Mohawk Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Funds
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types			Capital Projects	Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		Expendable Trust	
<u>Revenues:</u>						
Property Taxes	\$1,278,897	\$0	\$207,631	\$0	\$0	\$1,486,528
Income Taxes	986,956	0	0	0	0	986,956
Intergovernmental	4,257,613	280,547	0	0	0	4,538,160
Interest	48,738	986	0	0	163	49,887
Tuition and Fees	560,932	0	0	0	0	560,932
Extracurricular Activities	0	160,270	0	0	0	160,270
Gifts and Donations	87,178	33,135	0	0	2,050	122,363
Miscellaneous	80,905	25	0	0	0	80,930
Total Revenues	<u>7,301,219</u>	<u>474,963</u>	<u>207,631</u>	<u>0</u>	<u>2,213</u>	<u>7,986,026</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	3,658,102	93,135	0	503	0	3,751,740
Special	582,988	190,962	0	0	0	773,950
Vocational	72,049	0	0	0	0	72,049
Adult/Continuing	1,195	0	0	0	416	1,611
Support Services:						
Pupils	351,018	17,327	0	0	0	368,345
Instructional Staff	446,578	25,604	0	0	0	472,182
Board of Education	42,634	0	0	0	0	42,634
Administration	705,212	18,113	0	0	0	723,325
Fiscal	233,003	0	0	0	0	233,003
Business	43,826	14,000	0	0	0	57,826
Operation and Maintenance of Plant	624,690	0	0	0	0	624,690
Pupil Transportation	362,609	6,414	0	0	0	369,023
Central	43,337	5,015	0	0	0	48,352
Non-Instructional Services	50	6,662	0	0	0	6,712
Extracurricular Activities	257,409	180,227	0	0	0	437,636
Capital Outlay	235,784	0	0	0	0	235,784
Debt Service:						
Principal Retirement	26,129	0	195,719	0	0	221,848
Interest and Fiscal Charges	6,209	0	11,912	0	0	18,121
Total Expenditures	<u>7,692,822</u>	<u>557,459</u>	<u>207,631</u>	<u>503</u>	<u>416</u>	<u>8,458,831</u>
Excess of Revenues Over (Under) Expenditures	<u>(391,603)</u>	<u>(82,496)</u>	<u>0</u>	<u>(503)</u>	<u>1,797</u>	<u>(472,805)</u>
<u>Other Financing Sources (Uses):</u>						
Sale of Fixed Assets	596	0	0	0	0	596
Operating Transfers In	0	85,534	0	0	0	85,534
Operating Transfers Out	(85,534)	0	0	0	0	(85,534)
Total Other Financing Sources (Uses)	<u>(84,938)</u>	<u>85,534</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>596</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(476,541)</u>	<u>3,038</u>	<u>0</u>	<u>(503)</u>	<u>1,797</u>	<u>(472,209)</u>
Fund Balances at Beginning of Year	<u>1,261,324</u>	<u>298,493</u>	<u>0</u>	<u>503</u>	<u>1,689</u>	<u>1,562,009</u>
Fund Balances at End of Year	<u>\$784,783</u>	<u>\$301,531</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,486</u>	<u>\$1,089,800</u>

See Accompanying Notes to the General Purpose Financial Statements

Mohawk Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Expendable Trust Funds
 For the Fiscal Year Ended June 30, 2003

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,638,097	\$1,500,275	(\$137,822)	\$0	\$0	\$0
Income Taxes	1,077,800	1,033,818	(43,982)	0	0	0
Intergovernmental	4,340,846	4,280,284	(60,562)	249,305	249,305	0
Interest	78,000	53,463	(24,537)	1,375	818	(557)
Tuition and Fees	172,755	559,346	386,591	0	0	0
Extracurricular Activities	0	0	0	166,850	157,651	(9,199)
Gifts and Donations	86,120	87,178	1,058	30,000	33,135	3,135
Miscellaneous	29,700	44,966	15,266	400	25	(375)
Total Revenues	7,423,318	7,559,330	136,012	447,930	440,934	(6,996)
Expenditures:						
Current:						
Instruction:						
Regular	3,400,161	3,313,017	87,144	147,283	67,770	79,513
Special	636,815	578,725	58,090	213,908	193,092	20,816
Vocational	77,080	71,361	5,719	0	0	0
Adult/Continuing	2,320	1,195	1,125	0	0	0
Other	374,120	373,566	554	0	0	0
Support Services:						
Pupils	371,833	347,034	24,799	19,446	19,446	0
Instructional Staff	484,775	454,544	30,231	31,271	28,021	3,250
Board of Education	58,274	55,258	3,016	0	0	0
Administration	742,259	706,288	35,971	36,429	27,548	8,881
Fiscal	251,583	240,960	10,623	0	0	0
Business	54,000	44,658	9,342	14,000	14,000	0
Operation and Maintenance of Plant	718,706	647,212	71,494	0	0	0
Pupil Transportation	407,251	361,511	45,740	13,422	6,377	7,045
Central	46,730	42,740	3,990	5,000	5,000	0
Non-Instructional Services	0	0	0	17,544	11,372	6,172
Extracurricular Activities	273,735	255,373	18,362	245,647	183,135	62,512
Capital Outlay	262,295	242,430	19,865	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	8,161,937	7,735,872	426,065	743,950	555,761	188,189
Excess of Revenues Over (Under) Expenditures	(738,619)	(176,542)	562,077	(296,020)	(114,827)	181,193
Other Financing Sources (Uses):						
Sale of Fixed Assets	3,000	596	(2,404)	0	0	0
Refund of Prior Year Expenditures	27,500	34,874	7,374	0	0	0
Refund of Prior Year Receipts	(1,500)	(120)	1,380	(78)	0	78
Other Financing Sources	0	500	500	0	0	0
Advances Out	(3,500)	0	3,500	0	0	0
Operating Transfers In	0	0	0	61,135	85,534	24,399
Operating Transfers Out	(86,500)	(85,534)	966	0	0	0
Total Other Financing Sources (Uses)	(61,000)	(49,684)	11,316	61,057	85,534	24,477
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(799,619)	(226,226)	573,393	(234,963)	(29,293)	205,670
Fund Balances at Beginning of Year	1,299,155	1,299,155	0	348,109	348,109	0
Prior Year Encumbrances Appropriated	87,427	87,427	0	4,081	4,081	0
Fund Balances at End of Year	\$586,963	\$1,160,356	\$573,393	\$117,227	\$322,897	\$205,670

(continued)

Mohawk Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Expendable Trust Funds
 For the Fiscal Year Ended June 30, 2003
 (continued)

	Debt Service Fund			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$207,631	\$207,631	\$0	\$0	\$0	\$0
Income Taxes	0	0	0	0	0	0
Intergovernmental	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Tuition and Fees	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	<u>207,631</u>	<u>207,631</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	0	0	0	503	503	0
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	0	0	0	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	195,719	195,719	0	0	0	0
Interest and Fiscal Charges	11,912	11,912	0	0	0	0
Total Expenditures	<u>207,631</u>	<u>207,631</u>	<u>0</u>	<u>503</u>	<u>503</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>(503)</u>	<u>(503)</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>						
Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>(503)</u>	<u>(503)</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0	503	503	0
Prior Year Encumbrances Appropriated	0	0	0	0	0	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements

Expendable Trust Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,845,728	\$1,707,906	(\$137,822)
0	0	0	1,077,800	1,033,818	(43,982)
0	0	0	4,590,151	4,529,589	(60,562)
33	27	(6)	79,408	54,308	(25,100)
0	0	0	172,755	559,346	386,591
0	0	0	166,850	157,651	(9,199)
865	2,050	1,185	116,985	122,363	5,378
0	0	0	30,100	44,991	14,891
<u>898</u>	<u>2,077</u>	<u>1,179</u>	<u>8,079,777</u>	<u>8,209,972</u>	<u>130,195</u>
0	0	0	3,547,947	3,381,290	166,657
0	0	0	850,723	771,817	78,906
0	0	0	77,080	71,361	5,719
1,465	726	739	3,785	1,921	1,864
0	0	0	374,120	373,566	554
0	0	0	391,279	366,480	24,799
0	0	0	516,046	482,565	33,481
0	0	0	58,274	55,258	3,016
0	0	0	778,688	733,836	44,852
0	0	0	251,583	240,960	10,623
0	0	0	68,000	58,658	9,342
0	0	0	718,706	647,212	71,494
0	0	0	420,673	367,888	52,785
0	0	0	51,730	47,740	3,990
0	0	0	17,544	11,372	6,172
0	0	0	519,382	438,508	80,874
0	0	0	262,295	242,430	19,865
0	0	0	195,719	195,719	0
0	0	0	11,912	11,912	0
<u>1,465</u>	<u>726</u>	<u>739</u>	<u>9,115,486</u>	<u>8,500,493</u>	<u>614,993</u>
<u>(567)</u>	<u>1,351</u>	<u>1,918</u>	<u>(1,035,709)</u>	<u>(290,521)</u>	<u>745,188</u>
0	0	0	3,000	596	(2,404)
0	0	0	27,500	34,874	7,374
0	0	0	(1,578)	(120)	1,458
0	0	0	0	500	500
0	0	0	(3,500)	0	3,500
0	0	0	61,135	85,534	24,399
0	0	0	(86,500)	(85,534)	966
<u>0</u>	<u>0</u>	<u>0</u>	<u>57</u>	<u>35,850</u>	<u>35,793</u>
(567)	1,351	1,918	(1,035,652)	(254,671)	780,981
1,689	1,689	0	1,649,456	1,649,456	0
0	0	0	91,508	91,508	0
<u>\$1,122</u>	<u>\$3,040</u>	<u>\$1,918</u>	<u>\$705,312</u>	<u>\$1,486,293</u>	<u>\$780,981</u>

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Mohawk Local School District
 Combined Statement of Revenues, Expenses,
 and Changes in Fund Equity
 Proprietary Fund Type and Non-Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
<u>Operating Revenues:</u>			
Sales	\$248,704	\$0	\$248,704
Interest	0	339	339
Other Operating Revenues	515	0	515
Total Operating Revenues	<u>249,219</u>	<u>339</u>	<u>249,558</u>
<u>Operating Expenses:</u>			
Salaries	124,733	0	124,733
Fringe Benefits	65,631	0	65,631
Purchased Services	3,119	0	3,119
Materials and Supplies	6,726	0	6,726
Cost of Sales	180,182	0	180,182
Depreciation	3,345	0	3,345
Other Operating Expenses	1,704	1,150	2,854
Total Operating Expenses	<u>385,440</u>	<u>1,150</u>	<u>386,590</u>
Operating Loss	<u>(136,221)</u>	<u>(811)</u>	<u>(137,032)</u>
<u>Non-Operating Revenues:</u>			
Interest	114	0	114
Federal Donated Commodities	50,926	0	50,926
Operating Grants	65,398	0	65,398
Total Non-Operating Revenues	<u>116,438</u>	<u>0</u>	<u>116,438</u>
Net Loss	(19,783)	(811)	(20,594)
Retained Earnings (Deficit)/Fund Balance at Beginning of Year	<u>(2,901)</u>	<u>18,916</u>	<u>16,015</u>
Retained Earnings (Deficit)/Fund Balance at End of Year	(22,684)	18,105	(4,579)
Contributed Capital at Beginning and End of Year	3,366	0	3,366
Total Fund Equity (Deficit) at End of Year	<u><u>(\$19,318)</u></u>	<u><u>\$18,105</u></u>	<u><u>(\$1,213)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

Mohawk Local School District
 Combined Statement of Revenues, Expenses,
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 Proprietary Fund Type and Non-Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2003

	Enterprise Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues:</u>			
Sales	\$244,500	\$248,704	\$4,204
Interest	300	114	(186)
Operating Grants	70,000	65,398	(4,602)
Other Revenues	200	343	143
Total Revenues	<u>315,000</u>	<u>314,559</u>	<u>(441)</u>
<u>Expenses:</u>			
Salaries	130,770	126,488	4,282
Fringe Benefits	63,060	61,289	1,771
Purchased Services	4,660	3,119	1,541
Materials and Supplies	134,585	133,749	836
Capital Outlay	0	0	0
Other Expenses	1,725	1,704	21
Total Expenses	<u>334,800</u>	<u>326,349</u>	<u>8,451</u>
Excess of Revenues Under Expenses	(19,800)	(11,790)	8,010
Fund Balances at Beginning of Year	<u>27,708</u>	<u>27,708</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$7,908</u></u>	<u><u>\$15,918</u></u>	<u><u>\$8,010</u></u>

See Accompanying Notes to the General Purpose Financial Statements

Non-Expendable Trust Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$244,500	\$248,704	\$4,204
1,007	666	(341)	1,307	780	(527)
0	0	0	70,000	65,398	(4,602)
0	0	0	200	343	143
<u>1,007</u>	<u>666</u>	<u>(341)</u>	<u>316,007</u>	<u>315,225</u>	<u>(782)</u>
0	0	0	130,770	126,488	4,282
0	0	0	63,060	61,289	1,771
0	0	0	4,660	3,119	1,541
0	0	0	134,585	133,749	836
1,000	1,000	0	1,000	1,000	0
200	150	50	1,925	1,854	71
<u>1,200</u>	<u>1,150</u>	<u>50</u>	<u>336,000</u>	<u>327,499</u>	<u>8,501</u>
(193)	(484)	(291)	(19,993)	(12,274)	7,719
18,364	18,364	0	46,072	46,072	0
<u>\$18,171</u>	<u>\$17,880</u>	<u>(\$291)</u>	<u>\$26,079</u>	<u>\$33,798</u>	<u>\$7,719</u>

Mohawk Local School District
 Combined Statement of Cash Flows
 Proprietary Fund Type and Non-Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$248,704	\$0	\$248,704
Cash Received from Other Revenues	343	0	343
Cash Payments for Salaries	(126,488)	0	(126,488)
Cash Payments for Fringe Benefits	(61,289)	0	(61,289)
Cash Payments for Goods and Services	(136,868)	(1,150)	(138,018)
Cash Payments for Other Expenses	(1,704)	0	(1,704)
Net Cash Used for Operating Activities	<u>(77,302)</u>	<u>(1,150)</u>	<u>(78,452)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants	65,398	0	65,398
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	<u>114</u>	<u>891</u>	<u>1,005</u>
Net Decrease in Cash and Cash Equivalents	(11,790)	(259)	(12,049)
Cash and Cash Equivalents at Beginning of Year	27,708	18,364	46,072
Cash and Cash Equivalents at End of Year	<u>\$15,918</u>	<u>\$18,105</u>	<u>\$34,023</u>

(continued)

Mohawk Local School District
 Combined Statement of Cash Flows
 Proprietary Fund Type and Non-Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2003
 (continued)

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>			
Operating Loss	(\$136,221)	(\$811)	(\$137,032)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>			
Depreciation	3,345	0	3,345
Donated Commodities Received During Year	50,926	0	50,926
Interest Reported as Operating Income	0	(339)	(339)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(172)	0	(172)
Increase in Prepaid Items	(625)	0	(625)
Decrease in Inventory Held for Resale	2,167	0	2,167
Decrease in Materials and Supplies Inventory	66	0	66
Increase in Accrued Wages and Benefits	1,700	0	1,700
Increase in Compensated Absences Payable	1,544	0	1,544
Increase in Intergovernmental Payable	4,442	0	4,442
Decrease in Special Termination Benefits Payable	(4,474)	0	(4,474)
Net Cash Used for Operating Activities	<u>(\$77,302)</u>	<u>(\$1,150)</u>	<u>(\$78,452)</u>

Non-Cash Transactions

During fiscal year 2003, the Food Service enterprise fund received donated commodities, in the amount of \$50,926.

Reconciliation of Non-Expendable Trust Fund Cash and Cash Equivalents to Balance Sheet:

All Fiduciary Fund Types	\$93,805
Less Agency Funds	(72,214)
Less Expendable Trust Funds	(3,486)
Cash and Cash Equivalents - Non-Expendable Trust Fund	<u>\$18,105</u>

See Accompanying Notes to the General Purpose Financial Statements

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Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Mohawk 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 and federal guidelines.

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred twenty-five square miles. It is located in Wyandot, Seneca, and Crawford Counties. The School District is the 468th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-six classified employees, eighty-one certified teaching personnel, and five administrative employees who provide services to 1,115 students and other community members. The School District currently operates two elementary schools, an elementary/junior high school, a high school, and an administration building.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure 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 Mohawk 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 organizations’ 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 Mohawk Local School District.

The School District participates in five jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Vanguard-Sentinel Joint Vocational School, the Tri-Rivers Educational Computer Association (TRECA), the North Central Regional Professional Development Center, the Northwestern Ohio Educational Research Council, Inc., the North Central Ohio Special Education Regional Resource Center, the Ohio School Plan, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the North Central Ohio Joint Insurance Association, and the Mohawk Community Library. These organizations are presented in Notes 17, 18, and 19 to the general purpose financial statements.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mohawk 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the 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. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, non-expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund type and non-expendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund type and non-expendable trust fund.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected 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 property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal 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 the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not received within the available period are recorded as deferred revenue.

On the accrual basis, expenses are recognized at the time they are incurred.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. 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 by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Wyandot County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and expendable trust funds and reported in the notes to the financial statements for the proprietary fund type and non-expendable trust fund.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, 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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 was \$48,738, which included \$5,580 assigned from other School District funds.

During fiscal year 2003, the School Districts' investments were limited to non-negotiable certificates of deposit, which are reported at cost.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 recorded in the year in which services are consumed.

F. Inventory

Inventory is stated at cost on a first-in first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for the purchase of school buses.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of six to twenty years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave after five years of service with the School District for administrative employees and after ten years of service for all other employees.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these obligations made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Capital leases are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate fund.

K. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to fiscal year 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are reported as retained earnings. Contributions from other funds continue to be reported as contributed capital.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Balance Reserves and Designations

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 equity reserves have been established for property taxes, bus purchase, contributions to the non-expendable trust fund, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for principal signifies legal restrictions on the use of principal in the non-expendable trust fund. The designation for termination benefits represents monies set aside by the Board of Education for the future payment of those benefits.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Use of 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 - ACCOUNTABILITY

The following funds had deficit fund balances/retained earnings at June 30, 2003.

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Management Information System	\$15
Title I	5,543
Preschool Handicapped	495
Enterprise Fund	
Food Service	22,684

The General Fund provides transfers to the special revenue funds to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings for the past two fiscal years due to operating expenses exceeding operating revenues and federal and state subsidies and grants. The School District has increased lunch prices in an attempt to remedy this problem.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Non-Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds and as note disclosure in the proprietary fund type and non-expendable trust fund (GAAP basis).

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Funds

	<u>Governmental Fund Types</u>		<u>Expendable Trust</u>
	<u>General</u>	<u>Special Revenue</u>	
GAAP Basis	(\$476,541)	\$3,038	\$1,797
<u>Increase (Decrease) Due To:</u>			
Revenue Accruals:			
Accrued FY 2002, Received in Cash FY 2003	785,995	2,732	0
Accrued FY 2003, Not Yet Received in Cash	(470,212)	(36,584)	0
Expenditure Accruals:			
Accrued FY 2002, Paid in Cash FY 2003	(1,014,471)	(57,173)	0
Accrued FY 2003, Not Yet Paid in Cash	1,058,551	65,481	0
Cash Adjustments:			
Unrecorded Activity FY 2003	(22,298)	(177)	(136)
Prepaid Items	(23,542)	(758)	0
Materials and Supplies Inventory	(7,088)	0	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(56,620)	(5,852)	(310)
Budget Basis	<u>(\$226,226)</u>	<u>(\$29,293)</u>	<u>\$1,351</u>

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Loss/Excess of Revenues
Under Expenses
Proprietary Fund Type and Non-Expendable Trust Fund

	Proprietary Fund Type	Non-Expendable Trust
	Enterprise	Trust
GAAP Basis	(\$19,783)	(\$811)
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 2002, Received in Cash FY 2003	0	552
Accrued FY 2003, Not Yet Received in Cash	(172)	0
Expense Accruals:		
Accrued FY 2002, Paid in Cash FY 2003	(64,835)	0
Accrued FY 2003, Not Yet Paid in Cash	68,047	0
Cash Adjustments:		
Unrecorded Activity FY 2003	0	(225)
Prepaid Items	(625)	0
Inventory Held for Resale	2,167	0
Materials and Supplies Inventory	66	0
Depreciation Expense	3,345	0
Budget Basis	(\$11,790)	(\$484)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five 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.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

Interim monies may be deposited or 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 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; and
6. The State Treasurer's investment pool (STAR Ohio).

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$1,180 in undeposited cash on hand which is included on the combined balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$1,676,743 and the bank balance was \$1,713,334. Of the bank balance, \$101,080 was covered by federal depository insurance and \$1,612,254 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 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 revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent 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 semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Wyandot, Seneca, and Crawford 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was 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 reflected 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, 2003, was \$153,396 in the General Fund. The amount available as an advance at June 30, 2002, was \$374,774 in the General Fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$79,147,150	91.39%	\$81,001,860	91.39%
Public Utility	4,599,900	5.31	4,618,220	5.21
Tangible Personal	2,858,178	3.30	3,011,913	3.40
Total Assessed Value	<u>\$86,605,228</u>	<u>100.00%</u>	<u>\$88,631,993</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.90		\$36.90	

NOTE 7 - INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2001, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of both property and income taxes, accounts (student fees and billings for user charged services), intergovernmental, and accrued interest. 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. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$7,714.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 8 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Carey EVSD	\$1,716
Vanguard-Sentinal JVSD	2,037
Bellevue CSD	3,357
State of Ohio	169
Homestead and Rollback	910
Total General Fund	8,189
Special Revenue Funds	
Title VI-B	16,499
Title I	3,063
Preschool Handicapped	1,958
Title II-A	11,162
Total Special Revenue Funds	32,682
Total Intergovernmental Receivables	\$40,871

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$86,207
Less Accumulated Depreciation	(67,560)
Net Fixed Assets	\$18,647

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Land and Improvements	\$281,706	\$194,355	\$0	\$476,061
Buildings and Improvements	4,027,084	45,697	0	4,072,781
Furniture, Fixtures, and Equipment	1,489,479	41,640	26,319	1,504,800
Vehicles	969,745	0	0	969,745
Construction in Progress	76,113	0	76,113	0
Total	\$6,844,127	\$281,692	\$102,432	\$7,023,387

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - 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 2003, the School District contracted for the following insurance coverage:

Insurance provided by the Hartford Insurance Company	
Buildings and Contents - replacement cost (\$1,000 deductible)	\$20,219,600
Insurance provided by Ohio School Plan	
Automobile Liability	1,000,000
Uninsured Motorist	50,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2003, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP 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 GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. 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 GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT (continued)

The School District participates in the North Central Ohio Joint Insurance Association (Association), a public entity shared risk pool consisting of eight local school districts. Each participating member pays premiums to the Association for employee medical, dental, life, and vision insurance coverage. The Association is responsible for the management and operation of the program. Upon withdrawal, the School District is responsible for the payment of all Association liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of the Association, all member's claims are paid without regard to the member's account balance. The Association Board of Directors has the right to return monies to an existing participating member subsequent to the settlement of all expenses and claims.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001, was \$459,351, \$322,962, and \$308,529, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$3,616 made by the School District and \$17,678 made by plan members.

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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$83,777, \$53,600, and \$39,502, respectively; 81 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2003, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$35,613.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$84,834 for fiscal year 2003.

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 annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred five days for classified employees and two hundred twenty days for certified employees and the treasurer. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave.

B. Health Care Benefits

The School District offers medical, dental, life, and vision insurance to most employees through the North Central Ohio Joint Insurance Association. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 13 - OTHER EMPLOYEE BENEFITS (continued)

C. Special Termination Benefits

The special termination benefit was available in fiscal year 2003 for certified employees. The employee had to provide written notice of the employee's intent to retire, to the Treasurer, by April 1st and had to retire at the conclusion of the fiscal year. The special termination benefit will be paid by the end of January of the following fiscal year. Failure to retire immediately following the fiscal year in which the employee first became eligible shall make the employee ineligible to receive the benefit during any subsequent year. This termination benefit is in addition to any severance pay to which the employee may be eligible. Special termination benefits are paid according to the following schedule:

Number of Service Years	Age at Retirement	Benefit
20-24 years	60	100% of severance pay to which the employee is entitled
25-29 years	55	95% of severance pay to which the employee is entitled
30 years	Any age	75% of severance pay to which the employee is entitled

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
1996 Energy Conservation Bonds 5.5%	\$195,719	\$0	\$195,719	\$0
Compensated Absences Payable	453,507	0	6,924	446,583
Intergovernmental Payable	60,321	66,245	60,321	66,245
Special Termination Benefits Payable	20,060	21,560	20,060	21,560
Capital Leases Payable	82,254	0	26,129	56,125
Total General Long-Term Obligations	\$811,861	\$87,805	\$309,153	\$590,513

1996 Energy Conservation Bonds - On May 1, 1996, the School District issued \$432,000 in unvoted general obligation bonds for providing energy conservation measures for the School District. The bonds were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a ten year period, with final maturity in fiscal year 2006. The bonds were fully retired in fiscal year 2003.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, and special termination benefits will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

The School District's overall legal debt margin was \$7,976,879 with an unvoted debt margin of \$88,632 at June 30, 2003.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. Each lease meets 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 to the lessee. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group, in the amount of \$82,254. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Year	GLTOAG
2004	\$29,472
2005	29,462
Total	58,934
Less Amount Representing Interest	(2,809)
Present Value of Net Minimum Lease Payments	\$56,125

NOTE 16 - SET ASIDE REQUIREMENTS

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2003.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2002	(\$46,767)	\$0	\$32,728
Current Year Set Aside Requirement	149,443	149,443	0
Qualifying Expenditures	(145,060)	(149,443)	(32,728)
Amount Carried Forward to Fiscal Year 2004	(\$42,384)	\$0	\$0
Set Aside Reserve Balance June 30, 2003	\$0	\$0	\$0

NOTE 16 - SET ASIDE REQUIREMENTS (continued)

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Vanguard-Sentinel Joint Vocational School

The Vanguard-Sentinel Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of two representatives from the Fremont City School District and one representative from the other thirteen participating school districts' elected boards. The degree of control exercised by any participating school district is limited to its representation on the Board. The JVS possesses its own budgeting and taxing authority. Financial information can be obtained from the Vanguard-Sentinel Joint Vocational School, Jay Valasek, who serves as Treasurer, 1306 Cedar Street, Fremont, Ohio 43420.

B. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The 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 school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2003, the School District paid \$45,437 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

E. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Ashland, Crawford, Knox, Marion, Morrow, Richland, and Wyandot counties. The SERRC is governed by a five member board consisting of five superintendents. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Southward, Knox County Educational Service Center, 110 East High Street, Mount Vernon, Ohio 43050.

NOTE 18 - INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 18 - INSURANCE POOLS (continued)

The GRP's business and 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 GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

C. North Central Ohio Joint Insurance Association

The School District participates in the North Central Ohio Joint Insurance Association (Association), a public entity shared risk pool consisting of eight local school districts. The Association is responsible for the administration of the program and processing of all claims for each member. The School District pays premiums to the Association for employee medical, dental, life, and vision benefits.

The Association is governed by a Board of Directors consisting of a representative from each participating member. Each participating member decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Association is by written application subject to the acceptance by the Board of Directors and payment of monthly premiums.

NOTE 19 - RELATED ORGANIZATION

The Mohawk Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Mohawk Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Mohawk Community Library, Sue Schafer, Clerk/Treasurer, 101 East Seventh Street, Sycamore, Ohio 44882.

NOTE 20 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

Mohawk Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 21 - CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. 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, 2003.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$ 50,926	\$ -	\$ 50,926
National School Lunch Program	50740-LLP4-02/03	10.555	63,485		63,485	-
Total U.S. Department of Agriculture - Nutrition Cluster			63,485	50,926	63,485	50,926
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	50740-6BSF-02/03-P	84.027	104,836		119,639	
Special Education - Preschool Grant	50740-PGS1-03	84.173	11,041		13,786	
Total Special Education Cluster			115,877	-	133,425	-
Title I Grants to Local Educational Agencies	50740-C1S1-03	84.010	58,373		62,784	-
Safe and Drug-Free Schools and Communities	50740-DRS1-03	84.186	3,795		2,142	-
Goals 2000 State and Local Educational Systemic Improvement Grant		84.276	-		8,961	-
Eisenhower Professional Development State Grant	50740-MSS1-02	84.281	34		926	-
Innovative Educational Program Strategies	50740-C2S1-03	84.298	6,147		8,176	-
Technology Literacy Challenge Fund	50740-TJS1-03	84.318	1,682		1,682	
School Renovation Grant	50740-ATS2-02 50740-ATS3-02	84.352	15,804		15,804	-
Class Size Reduction	50740-CRS1-02	84.340	-		3,324	-
Improving Teacher Quality State Grants	50740-TRS1-03	84.367	18,342		18,342	-
Total U.S. Department of Education			220,054	-	255,566	-
Total Federal Awards			\$ 283,539	\$ 50,926	\$ 319,051	\$ 50,926

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Mohawk Local School District
Wyandot County
295 State Highway 231
Sycamore, Ohio 44882

To the Board of Education:

We have audited the general purpose financial statements of the Mohawk Local School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 19, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated November 19, 2003.

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www.auditor.state.oh.us

This report is intended for the information and use of the finance committee, the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 19, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mohawk Local School District
Wyandot County
295 State Highway 231
Sycamore, Ohio 44882

To the Board of Education:

Compliance

We have audited the compliance of the Mohawk Local School District, Wyandot County, Ohio, (the District) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the finance committee, the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 19, 2003

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - CFDA #84.027 and #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**Auditor of State
Betty Montgomery**

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MOHAWK LOCAL SCHOOL DISTRICT

WYANDOT 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
DECEMBER 30, 2003**