



**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 Route 231
Sycamore, Ohio 44882

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio, as of June 30, 2005, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2005, the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-002, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

December 23, 2005

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Mohawk Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$292,066 which represents a 1.27% decrease from 2004.
- General revenues accounted for \$8,256,922 in revenue or 84.62% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,500,877 or 15.38% of total revenues of \$9,757,799.
- The District had \$10,049,865 in expenses related to governmental activities; \$1,500,877 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,256,922 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$7,921,772 in revenues and \$8,681,078 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance decreased \$759,306 from \$481,059 to a deficit of \$278,247.
- The debt service fund had \$573,393 in revenues and \$8,523,023 in expenditures. During fiscal year 2005, the debt service fund's fund balance decreased \$7,949,630 from \$8,136,193 to \$186,563.
- The classroom facilities fund had \$12,011,446 in revenues and \$3,868,450 in expenditures. During fiscal year 2005, the classroom facilities fund's fund balance increased \$8,142,996 from \$7,762,937 to \$15,905,933.

Using these Basic Financial Statements

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

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Assets</u>		
Current and other assets	\$ 28,390,321	\$ 38,831,066
Capital assets	<u>7,544,396</u>	<u>3,530,385</u>
Total assets	<u>35,934,717</u>	<u>42,361,451</u>
<u>Liabilities</u>		
Current liabilities	5,063,803	10,991,750
Long-term liabilities	<u>8,254,819</u>	<u>8,461,540</u>
Total liabilities	<u>13,318,622</u>	<u>19,453,290</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,112,202	3,501,657
Restricted	20,297,832	19,166,204
Unrestricted (deficit)	<u>(793,939)</u>	<u>240,300</u>
Total net assets	<u>\$ 22,616,095</u>	<u>\$ 22,908,161</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$22,616,095. Of this total, \$20,297,832 is restricted in use.

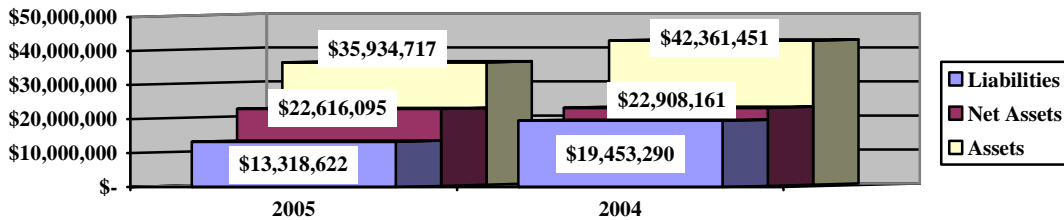
**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

At year-end, capital assets represented 20.99% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$3,112,202. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$20,297,832, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$793,939.

Governmental Activities



The table below shows the change in net assets for fiscal year 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Revenues		
Program revenues:		
Charges for services and sales	\$ 955,457	\$ 1,034,866
Operating grants and contributions	545,420	399,470
Capital grants and contributions	-	19,440,715
General revenues:		
Taxes	3,159,772	3,214,430
Grants and entitlements not restricted to specific programs	4,692,111	4,517,788
Investment earnings	356,478	179,326
Decrease in fair market value of investments	-	(199,497)
Other	48,561	32,197
Total revenues	9,757,799	28,619,295

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,695,831	\$ 3,602,149
Special	985,370	838,041
Vocational	110,205	84,723
Adult education	962	969
Other	562,543	446,280
Support services:		
Pupil	397,091	452,777
Instructional staff	443,694	398,214
Board of education	58,601	86,425
Administration	943,176	860,835
Fiscal	270,062	259,794
Business	45,830	55,617
Operations and maintenance	729,336	615,438
Pupil transportation	494,752	433,889
Central	58,902	58,857
Food service operations	419,282	277,416
Operations of non-instructional services	-	163,119
Extracurricular activities	478,807	490,699
Interest and fiscal charges	<u>355,421</u>	<u>138,015</u>
Total expenses	<u>10,049,865</u>	<u>9,263,257</u>
Change in net assets	(292,066)	19,356,038
Net assets at beginning of year	<u>22,908,161</u>	<u>3,552,123</u>
Net assets at end of year	<u>\$ 22,616,095</u>	<u>\$ 22,908,161</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$292,066. Total governmental expenses of \$10,049,865 were offset by program revenues of \$1,500,877 and general revenues of \$8,256,922. Program revenues supported 14.93% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from taxes, and grants and entitlements. These revenue sources represent 86.06% of total governmental revenue.

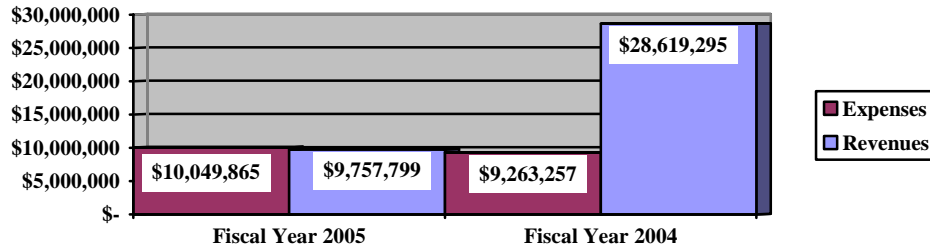
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,354,911 or 53.28% of total governmental expenses for fiscal 2005.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

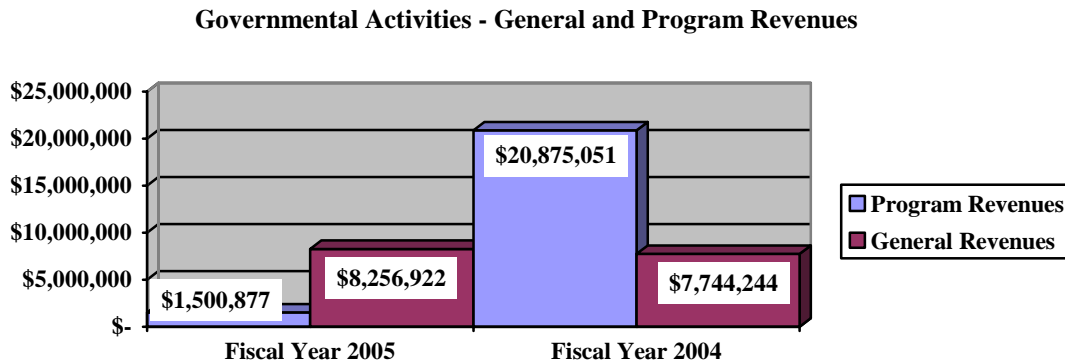
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses				
Instruction:				
Regular	\$ 3,695,831	\$ 3,095,436	\$ 3,602,149	\$ 3,060,251
Special	985,370	723,294	838,041	623,873
Vocational	110,205	110,205	84,723	84,723
Adult education	962	962	969	969
Other	562,543	562,543	446,280	446,280
Support services:				
Pupil	397,091	334,961	452,777	401,270
Instructional staff	443,694	410,743	398,214	369,546
Board of education	58,601	54,350	86,425	37,141
Administration	943,176	942,853	860,835	860,835
Fiscal	270,062	270,062	259,794	259,494
Business	45,830	33,830	55,617	43,617
Operations and maintenance	729,336	725,150	615,438	(18,825,527)
Pupil transportation	494,752	487,326	433,889	427,290
Central	58,902	53,902	58,857	53,857
Food service operations	419,282	49,237	277,416	19,425
Operations of non-instructional services	-	(2,387)	163,119	159,117
Extracurricular activities	478,807	341,100	490,699	228,030
Interest and fiscal charges	355,421	355,421	138,015	138,015
Total expenses	\$ 10,049,865	\$ 8,548,988	\$ 9,263,257	\$ (11,611,794)

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 83.89% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.16%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$17,398,138, which is lower than last year's total of \$18,095,229. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase (Decrease)	Percentage Change
General	\$ (278,247)	\$ 481,059	\$ (759,306)	(157.84) %
Debt Service	186,563	8,136,193	(7,949,630)	(97.71) %
Classroom Facilities	15,905,933	7,762,937	8,142,996	104.90 %
Other Governmental	<u>1,583,889</u>	<u>1,715,040</u>	<u>(131,151)</u>	(7.65) %
Total	<u>\$ 17,398,138</u>	<u>\$ 18,095,229</u>	<u>\$ (697,091)</u>	(3.85) %

General Fund

The District's general fund balance decreased \$759,306 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to decreasing revenues and increased expenditures. Expenditures exceed revenues for fiscal year 2005 by \$734,306. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase (Decrease) <u></u>	Percentage Change <u></u>
<u>Revenues</u>				
Taxes	\$ 2,710,208	\$ 2,863,159	\$ (152,951)	(5.34) %
Tuition	469,931	457,465	12,466	2.73 %
Earnings on investments	27,843	15,581	12,262	78.70 %
Intergovernmental	4,597,963	4,486,052	111,911	2.49 %
Other revenues	<u>115,827</u>	<u>142,490</u>	<u>(26,663)</u>	(18.71) %
 Total	 <u>\$ 7,921,772</u>	 <u>\$ 7,964,747</u>	 <u>\$ (42,975)</u>	 (0.54) %
<u>Expenditures</u>				
Instruction	\$ 4,928,010	\$ 4,544,612	\$ 383,398	8.44 %
Support services	3,229,021	3,254,086	(25,065)	(0.77) %
Extracurricular activities	284,914	265,772	19,142	7.20 %
Facilities acquisition and construction	184,022	113,477	70,545	62.17 %
Debt service	<u>30,111</u>	<u>31,251</u>	<u>(1,140)</u>	(3.65) %
 Total	 <u>\$ 8,656,078</u>	 <u>\$ 8,209,198</u>	 <u>\$ 446,880</u>	 5.44 %

Debt Service Fund

The debt service fund had \$573,393 in revenues and \$8,523,023 in expenditures. During fiscal year 2005, the debt service fund's fund balance decreased \$7,949,630 from \$8,136,193 to \$186,563.

Classroom Facilities Fund

The classroom facilities fund had \$12,011,446 in revenues and \$3,868,450 in expenditures. During fiscal year 2005, the classroom facilities fund's fund balance increased \$8,142,996 from \$7,762,937 to \$15,905,933.

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$8,429,512. Actual revenues and other financing sources for fiscal 2005 was \$8,035,967. This represents an \$393,545 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,716,633 were increased to \$8,787,133 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$8,608,741, which was \$178,392 less than the final budget appropriations.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$7,544,396 (net) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 276,820	\$ 139,946
Land improvements	261,174	277,568
Building and improvements	2,137,814	2,240,340
Furniture and equipment	128,813	129,748
Vehicles	307,581	292,565
Construction in progress	4,432,194	450,218
Total	<u>\$ 7,544,396</u>	<u>\$ 3,530,385</u>

The overall increase in capital assets of \$4,014,011 is due to capital outlays of \$4,193,657 exceeding depreciation expense of \$179,646 in the fiscal year. \$3,981,976 of the increase in capital outlay is a result of construction in progress due to the Ohio Schools Facilities Commission.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2005, the District had \$7,680,579 in general obligation bonds outstanding. Of this total, \$200,000 is due within one year and \$7,480,579 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2005	2004
General obligation bonds	\$ 7,680,579	\$ 7,869,994
Bond anticipation notes	-	7,872,000
Capital lease obligations	-	28,728
Total	<u>\$ 7,680,579</u>	<u>\$ 15,770,722</u>

At June 30, 2005, the District's overall legal debt margin was \$890,010, and an unvoted debt margin of \$93,156.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The District has carefully managed its General Fund budgets in order to optimize the dollars available for educating the students it serves. The District prides itself in the fact that no new operating levies have been placed on the ballot since 1995, when the community passed a 1% income tax. This income tax issue has been successfully renewed twice since its passage and generates approximately \$1,000,000. The only new dollars requested have been for construction of a new PreK-12 school building through the Ohio Schools Facilities Commission (OSFC.)

In June of 2003, the District was notified it qualified for assistance in building a new PreK-12 facility. The OSFC would contribute 75% of the cost of construction. Total cost for the new facility is \$25,887,140, with the OSFC share \$19,415,140 and local share \$6,472,000. In November 2003, the community voted 59% to pass a 4.51 mill Bond issue to cover its share of the project coupled with a .98 mill Local Initiative Bond, and a .5 mill Classroom Facilities Maintenance levy. The local initiative bond for \$1,400,000 will be used to construct an auditorium (\$1,250,000) and an all-weather track (\$150,000.) The cost of the track is estimated at \$300,000 with the local Athletic Boosters paying half of the cost up to \$150,000.

The Board anticipates opening the new facility in January 2007. By combining four facilities into one, the District intends to maximize resources and keep expenditures within its revenues. This is an ongoing challenge since the District relies on 60% of its operating revenues from the State of Ohio.

The passage of House Bill 66, which governs the State's biennium budget, afforded no financial relief to the District. The District's current decline in student enrollment and increased property values will result in the District becoming a guarantee district, receiving no more basic State funding in fiscal year 2006 than it received in 2005. It is anticipated that the District will have a cash deficit by the end of fiscal year 2007. To avoid a cash deficit, the District will go to the ballot in calendar year 2006 to ask voters for additional local funds.

As a result, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Luann Vanek, Treasurer, Mohawk Local School District, 295 St. Highway 231, Sycamore, Ohio 44882-9434.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 10,619,483
Investments	7,871,688
Receivables:	
Taxes	3,678,250
Accounts	10,194
Intergovernmental	6,050,863
Accrued interest	89,087
Prepayments	47,451
Materials and supplies inventory	23,305
Capital assets:	
Land	276,820
Construction in progress	4,432,194
Depreciable capital assets, net	2,835,382
Capital assets, net.	7,544,396
 Total assets.	 35,934,717
 Liabilities:	
Accounts payable.	237,700
Contracts payable.	516,672
Accrued wages and benefits	894,365
Pension obligation payable.	211,536
Intergovernmental payable	76,968
Deferred revenue	3,088,145
Accrued interest payable	38,417
Long-term liabilities:	
Due within one year.	301,926
Due within more than one year	7,952,893
 Total liabilities	 13,318,622
 Net Assets:	
Invested in capital assets, net of related debt.	3,112,202
Restricted for:	
Capital projects	19,850,662
Debt service.	158,332
Perpetual care:	
Expendable	519
Nonexpendable	10,101
Locally funded programs	2,061
Student activities	31,303
Public school support.	41,842
Classroom facilities maintenance	73,386
Other purposes	129,626
Unrestricted (deficit)	(793,939)
 Total net assets	 \$ 22,616,095

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 3,695,831	\$ 559,549	\$ 40,846	\$ (3,095,436)
Special	985,370	-	262,076	(723,294)
Vocational	110,205	-	-	(110,205)
Adult education	962	-	-	(962)
Other	562,543	-	-	(562,543)
Support services:				
Pupil	397,091	-	62,130	(334,961)
Instructional staff	443,694	-	32,951	(410,743)
Board of education	58,601	4,251	-	(54,350)
Administration	943,176	-	323	(942,853)
Fiscal	270,062	-	-	(270,062)
Business	45,830	-	12,000	(33,830)
Operations and maintenance	729,336	2,525	1,661	(725,150)
Pupil transportation	494,752	-	7,426	(487,326)
Central	58,902	-	5,000	(53,902)
Operation of non-instructional services:				
Food service operations	419,282	251,425	118,620	(49,237)
Other non-instructional services	-	-	2,387	2,387
Extracurricular activities	478,807	137,707	-	(341,100)
Interest and fiscal charges	355,421	-	-	(355,421)
Total governmental activities	\$ 10,049,865	\$ 955,457	\$ 545,420	(8,548,988)

General Revenues:	
Taxes levied for:	
General purposes	2,738,558
Special revenue	5,080
Debt service	416,134
Grants and entitlements not restricted	
to specific programs	4,692,111
Investment earnings	356,478
Miscellaneous	48,561
Total general revenues	8,256,922
Change in net assets	(292,066)
Net assets at beginning of year	22,908,161
Net assets at end of year	\$ 22,616,095

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 255,533	\$ 159,089	\$ 9,876,117	\$ 319,411	\$ 10,610,150
Investments	-	-	6,536,917	1,334,771	7,871,688
Receivables:					
Taxes	3,162,201	468,784	-	47,265	3,678,250
Accounts	7,326	-	-	2,868	10,194
Intergovernmental	1,045	-	6,001,324	48,494	6,050,863
Accrued interest	11,869	-	63,208	14,010	89,087
Prepayments	42,240	-	4,827	384	47,451
Materials and supplies inventory	16,722	-	-	6,583	23,305
Restricted assets:					
Equity in pooled cash and cash equivalents	9,333	-	-	-	9,333
Total assets	\$ 3,506,269	\$ 627,873	\$ 22,482,393	\$ 1,773,786	\$ 28,390,321
Liabilities:					
Accounts payable	\$ 20,011	\$ -	\$ 210,622	\$ 7,067	\$ 237,700
Contracts payable	-	-	502,386	14,286	516,672
Accrued wages and benefits	824,627	-	-	69,738	894,365
Special termination benefits payable	-	-	-	28,048	28,048
Pension obligation payable	190,015	-	-	21,521	211,536
Intergovernmental payable	74,974	-	-	1,994	76,968
Deferred revenue	2,674,889	441,310	5,863,452	47,243	9,026,894
Total liabilities	3,784,516	441,310	6,576,460	189,897	10,992,183
Fund Balances:					
Reserved for encumbrances	22,499	-	20,172,735	908,820	21,104,054
Reserved for materials and supplies inventory	16,722	-	-	6,583	23,305
Reserved for prepayments	42,240	-	4,827	384	47,451
Reserved for property tax unavailable for appropriation	147,383	27,474	-	2,674	177,531
Reserved for school bus purchases	9,333	-	-	-	9,333
Reserved for perpetual care	-	-	-	10,101	10,101
Reserved for debt service	-	159,089	-	-	159,089
Unreserved:					
Designated for termination benefits	-	-	-	120,293	120,293
Undesignated (deficit), reported in:					
General fund	(516,424)	-	-	-	(516,424)
Special revenue funds	-	-	-	115,446	115,446
Capital projects funds	-	-	(4,271,629)	419,069	(3,852,560)
Permanent fund	-	-	-	519	519
Total fund balances (deficit)	(278,247)	186,563	15,905,933	1,583,889	17,398,138
Total liabilities and fund balances	\$ 3,506,269	\$ 627,873	\$ 22,482,393	\$ 1,773,786	\$ 28,390,321

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005**

Total governmental fund balances		\$ 17,398,138
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,544,396
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 68,844	
Intergovernmental revenue	5,851,516	
Accounts receivable	3,801	
Accrued interest	14,588	
Total		5,938,749
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	546,192	
General obligation bonds payable	7,680,579	
Accrued interest payable	38,417	
Total		(8,265,188)
Net assets of governmental activities		\$ 22,616,095

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 2,710,208	\$ 413,934	\$ -	\$ 37,305	\$ 3,161,447
Tuition	469,931	-	-	-	469,931
Charges for services	-	-	-	251,425	251,425
Classroom materials and fees	45,628	-	-	-	45,628
Earnings on investments	27,843	102,897	195,185	35,642	361,567
Extracurricular	-	-	-	137,707	137,707
Other local revenues	70,199	-	-	28,396	98,595
Intergovernmental - State	4,597,963	56,562	11,816,261	56,103	16,526,889
Intergovernmental - Federal	-	-	-	494,717	494,717
Total revenue	<u>7,921,772</u>	<u>573,393</u>	<u>12,011,446</u>	<u>1,041,295</u>	<u>21,547,906</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,562,520	-	-	67,930	3,630,450
Special	699,090	-	-	268,440	967,530
Vocational	102,895	-	-	-	102,895
Adult education	962	-	-	-	962
Other	562,543	-	-	-	562,543
Support services:					
Pupil	330,193	-	-	59,434	389,627
Instructional staff	398,659	-	-	39,364	438,023
Board of education	44,927	-	-	13,674	58,601
Administration	945,702	-	-	18,556	964,258
Fiscal	259,453	11,826	-	1,062	272,341
Business	33,311	-	-	12,000	45,311
Operations and maintenance	666,627	-	-	1,661	668,288
Pupil transportation	496,905	-	-	21,926	518,831
Central	53,244	-	-	4,922	58,166
Operation of non-instructional services:					
Food service operations	-	-	-	397,583	397,583
Other non-instructional services	-	-	-	3,624	3,624
Extracurricular activities	284,914	-	-	178,571	463,485
Facilities acquisition and construction	184,022	-	3,868,450	108,699	4,161,171
Debt service:					
Principal retirement	28,728	8,072,000	-	-	8,100,728
Interest and fiscal charges	1,383	439,197	-	-	440,580
Total expenditures	<u>8,656,078</u>	<u>8,523,023</u>	<u>3,868,450</u>	<u>1,197,446</u>	<u>22,244,997</u>
Excess of revenues over (under) expenditures	<u>(734,306)</u>	<u>(7,949,630)</u>	<u>8,142,996</u>	<u>(156,151)</u>	<u>(697,091)</u>
Other financing sources (uses):					
Transfers in	-	-	-	25,000	25,000
Transfers (out)	(25,000)	-	-	-	(25,000)
Total other financing sources (uses)	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	(759,306)	(7,949,630)	8,142,996	(131,151)	(697,091)
Fund balances at beginning					
of year (restated, see note 3)	481,059	8,136,193	7,762,937	1,715,040	18,095,229
Fund balances at end of year	<u>\$ (278,247)</u>	<u>\$ 186,563</u>	<u>\$ 15,905,933</u>	<u>\$ 1,583,889</u>	<u>\$ 17,398,138</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ (697,091)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 4,193,657	
Current year depreciation	<u>(179,646)</u>	
Total		4,014,011

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

Taxes	30,831	
Intergovernmental revenue	(11,816,581)	
Accounts receivable	732	
Accrued interest	<u>(5,089)</u>	
Total		(11,790,107)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

8,100,728

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.

Accrued interest	95,744	
Accreted interest on capital appreciation bonds	<u>(10,585)</u>	
Total		85,159

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

(4,766)

Change in net assets of governmental activities \$ (292,066)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,948,870	\$ 2,948,870	\$ 2,817,516	\$ (131,354)
Tuition	510,500	510,500	469,931	(40,569)
Earnings on investments	34,500	34,500	22,277	(12,223)
Classroom materials and fees	46,100	46,100	45,720	(380)
Other local revenues	34,300	34,300	51,183	16,883
Intergovernmental - Intermediate	-	-	4,425	4,425
Intergovernmental - State	4,813,462	4,813,462	4,593,538	(219,924)
Total revenue	<u>8,387,732</u>	<u>8,387,732</u>	<u>8,004,590</u>	<u>(383,142)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,553,015	3,581,752	3,559,014	22,738
Special	681,672	687,185	685,179	2,006
Vocational	102,660	103,490	102,005	1,485
Adult/continuing	2,321	2,340	953	1,387
Other	559,326	563,850	563,643	207
Support services:				
Pupil	344,231	347,015	328,379	18,636
Instructional staff	399,955	403,190	386,237	16,953
Board of education	64,371	64,892	55,383	9,509
Administration	949,265	956,943	936,953	19,990
Fiscal	261,112	263,224	258,751	4,473
Business	42,705	43,050	32,318	10,732
Operations and maintenance	683,314	688,841	666,318	22,523
Pupil transportation	502,066	506,127	489,265	16,862
Central	53,542	53,975	53,072	903
Extracurricular activities	295,411	297,800	275,251	22,549
Facilities acquisition and construction	193,197	194,759	191,020	3,739
Total expenditures	<u>8,688,163</u>	<u>8,758,433</u>	<u>8,583,741</u>	<u>174,692</u>
Excess of revenues under expenditures	<u>(300,431)</u>	<u>(370,701)</u>	<u>(579,151)</u>	<u>(208,450)</u>
Other financing sources (uses):				
Refund of prior year expenditure	29,800	29,800	22,310	(7,490)
Transfers (out)	(28,470)	(28,700)	(25,000)	3,700
Advances in	6,980	6,980	6,980	-
Sale of capital assets	5,000	5,000	2,087	(2,913)
Total other financing sources (uses)	<u>13,310</u>	<u>13,080</u>	<u>6,377</u>	<u>(6,703)</u>
Net change in fund balance	(287,121)	(357,621)	(572,774)	(215,153)
Fund balance at beginning of year	612,360	612,360	612,360	-
Prior year encumbrances appropriated	182,770	182,770	182,770	-
Fund balance at end of year	<u>\$ 508,009</u>	<u>\$ 437,509</u>	<u>\$ 222,356</u>	<u>\$ (215,153)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 10,823	\$ 67,158
Receivables:		
Accrued interest	109	-
Total assets.	10,932	\$ 67,158
Liabilities:		
Accounts payable.	-	\$ 55
Due to students	-	67,103
Total liabilities	-	\$ 67,158
Net Assets:		
Held in trust for scholarships	10,932	
Total net assets	\$ 10,932	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 185
Gifts and contributions.	290
	475
Total additions.	475
Deductions:	
Scholarships awarded	356
	119
Change in net assets	119
Net assets at beginning of year.	10,813
Net assets at end of year	\$ 10,932

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred twenty-five square miles. It is located in Wyandot, Seneca, and Crawford Counties. The District is the 475th largest in the State of Ohio (among 688 school districts) in terms of enrollment. It is staffed by 56 classified employees, 84 certified teaching personnel, and 6 administrative employees who provide services to 1,083 students and other community members. The District currently operates two elementary schools, an elementary/junior high school, a high school, and an administration building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

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, at 1306 Cedar Street, Fremont, Ohio 43420.

Tri-Rivers Educational Computer Association

The 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 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. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

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.

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.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

INSURANCE PURCHASING POOLS

Ohio School Plan

The District participates in the Ohio School Plan (the "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.

Ohio School Boards Association Workers' Compensation Group Rating Program

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

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 program. Each year, the participating school districts pay an enrollment fee to the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

North Central Ohio Joint Insurance Association

The District participates in the North Central Ohio Joint Insurance Association (the "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 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.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

RELATED ORGANIZATION

Mohawk Community Library

The Mohawk Community Library (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 District for operation subsidies. Although the 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.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and note principal and interest from governmental resources when the government is obligated in some manner for payment.

Classroom Facilities - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording deferred revenue and in presentation of expenses versus expenditures. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Wyandot County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of control was established at the fund level, the District has elected to present budgetary comparisons at the fund and function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2005, investments were limited to federal agency securities, certificates of deposit, and a money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required or authorized by Board resolution to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$27,843, which includes \$11,020 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis. Inventories in governmental funds are expensed when purchased (i.e. purchases method) while inventories of governmental activities are expensed when consumed (i.e. consumption method).

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all administrative employees with at least five years of service with the District and all other employees with ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The 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 encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, school bus purchases, debt service and perpetual care. A designation of fund balance has been established for termination benefits. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Net Assets

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

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the assets. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. During 2005, the District had restricted assets for school bus purchases. See Note 19.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles and Restatement of Fund Balance

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 539,375	\$ 8,136,193	\$ 7,762,937	\$ 1,728,428	\$ 18,166,933
GASB Technical Bulletin No. 2004-2	<u>(58,316)</u>	<u>-</u>	<u>-</u>	<u>(13,388)</u>	<u>(71,704)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 481,059</u>	<u>\$ 8,136,193</u>	<u>\$ 7,762,937</u>	<u>\$ 1,715,040</u>	<u>\$ 18,095,229</u>

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General	\$ 278,247
 <u>Nonmajor Funds</u>	
Food service	23,570
Management Information	134
Summer Intervention	878
IDEA	514

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 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 that 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
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim moneys 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 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

A. Cash on Hand

At year-end, the District had \$100 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$10,697,364. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$10,725,504 of the District's bank balance of \$10,827,564 was exposed to custodial risk as discussed below, while \$102,060 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
U.S. Government					
Money Market	\$ 659,028	\$ 659,028	\$ -	\$ -	\$ -
FHLB	2,462,000	-	-	-	2,462,000
FHLB	988,200	-	-	988,200	-
FHLB	1,292,460	1,292,460	-	-	-
FHLB	2,470,000	-	2,470,000	-	-
	<u>\$ 7,871,688</u>	<u>\$ 1,951,488</u>	<u>\$ 2,470,000</u>	<u>\$ 988,200</u>	<u>\$ 2,462,000</u>

The weighted average maturity of investments is .94 years.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
US Government Money Market	659,028	8.37
FHLB	<u>7,212,660</u>	<u>91.63</u>
	<u>\$ 7,871,688</u>	<u>100.00</u>

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Custodial credit risk exists when investment securities are uninsured, are not registered in the name of the District, and are held by either 1) a counterparty, or 2) a counterparty's trust department or agent but not in the District's name. The District's FHLB securities of \$7,212,660 are subject to custodial credit risk because they are uninsured, unregistered, and held by a counterparty not in the District's name.

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 10,697,364
Investments	7,871,688
Cash on hand	<u>100</u>
Total	<u>\$ 18,569,152</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 18,491,171
Private-purpose trust funds	10,823
Agency funds	<u>67,158</u>
Total	<u>\$ 18,569,152</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 25,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004 the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Wyandot, Seneca and Crawford Counties. The County Auditor periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

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

The amount available as an advance at June 30, 2005 was \$147,383 in the general fund, \$27,474 in the debt service fund, and \$2,674 in the Classroom Facilities Maintenance nonmajor governmental fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$253,463 in the general fund, \$65,075 in the debt service fund, and \$5,921 in the Classroom Facilities Maintenance nonmajor governmental fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 82,803,470	90.65	\$ 86,222,440	92.56
Public utility personal	4,725,820	5.18	2,222,436	2.39
Tangible personal property	<u>3,809,723</u>	<u>4.17</u>	<u>4,710,970</u>	<u>5.05</u>
Total	<u>\$ 91,339,013</u>	<u>100.00</u>	<u>\$ 93,155,846</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 44.49		\$ 44.49	

NOTE 7 - INCOME TAXES

The 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 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, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - RECEIVABLES - (Continued)

Governmental Activities:

Property taxes	\$ 3,678,250
Accounts	10,194
Intergovernmental	6,050,863
Accrued interest	<u>89,087</u>
Total	<u>\$ 9,828,394</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
<i>Governmental Activities</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 139,946	\$ 136,874	\$ -	\$ 276,820
Construction in progress	<u>450,218</u>	<u>3,981,976</u>	<u>-</u>	<u>4,432,194</u>
Total capital assets, not being depreciated	<u>590,164</u>	<u>4,118,850</u>	<u>-</u>	<u>4,709,014</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	364,585	-	-	364,585
Buildings and improvements	3,988,047	-	-	3,988,047
Furniture and equipment	315,659	18,355	(6,474)	327,540
Vehicles	<u>1,005,635</u>	<u>56,452</u>	<u>(30,020)</u>	<u>1,032,067</u>
Total capital assets, being depreciated	<u>5,673,926</u>	<u>74,807</u>	<u>(36,494)</u>	<u>5,712,239</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(87,017)	(16,394)	-	(103,411)
Buildings and improvements	(1,747,707)	(102,526)	-	(1,850,233)
Furniture and equipment	(185,911)	(19,290)	6,474	(198,727)
Vehicles	<u>(713,070)</u>	<u>(41,436)</u>	<u>30,020</u>	<u>(724,486)</u>
Total accumulated depreciation	<u>(2,733,705)</u>	<u>(179,646)</u>	<u>36,494</u>	<u>(2,876,857)</u>
Governmental activities capital assets, net	<u>\$ 3,530,385</u>	<u>\$ 4,014,011</u>	<u>\$ -</u>	<u>\$ 7,544,396</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 50,805
Special	3,902
Vocational	2,757

Support Services:

Pupil	7,464
Instructional Staff	3,087
Administration	6,837
Business	519
Operations and maintenance	26,232
Pupil transportation	36,793
Extracurricular activities	34,116
Food service operations	<u>7,134</u>

Total depreciation expense \$ 179,646

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capitalized leases for equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement 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 have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized 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 is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$28,728 paid by the general fund. Final payments were made on the leased equipment during 2005.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance 06/30/04	Additions	Reductions	Balance 06/30/05	Amount Due in One Year
Governmental Activities:						
<u>General Obligation Bonds:</u>						
School improvement bonds	2-4.75%	\$ 7,795,000	\$ -	\$ (200,000)	\$ 7,595,000	\$ 200,000
Capital appreciation bonds	12.88%	74,994	10,585	-	85,579	-
Total general obligation bonds payable		<u>\$ 7,869,994</u>	<u>\$ 10,585</u>	<u>\$ (200,000)</u>	<u>\$ 7,680,579</u>	<u>\$ 200,000</u>
<u>Other Long-Term Obligations</u>						
Capital lease obligation		\$ 28,728	\$ -	\$ (28,728)	\$ -	\$ -
Special termination benefits		21,392	34,240	(27,584)	28,048	28,048
Compensated absences		541,426	99,408	(94,642)	546,192	73,878
Total other long-term obligations		<u>\$ 591,546</u>	<u>\$ 133,648</u>	<u>\$ (150,954)</u>	<u>\$ 574,240</u>	<u>\$ 101,926</u>
Total governmental activities		<u>\$ 8,461,540</u>	<u>\$ 144,233</u>	<u>\$ (350,954)</u>	<u>\$ 8,254,819</u>	<u>\$ 301,926</u>

- B. During fiscal year 2004, the District issued \$7,869,994 in general obligation bonds to provide funds for the construction of a new building to house grades pre-kindergarten thru 12 (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a major governmental fund). The source of payment is derived from a current 5.99 mill bonded debt tax levy for the Construction Project.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2005, the total estimated cost of the Construction Project is \$25,887,140, of which OSFC will pay \$19,415,140.

This issue is comprised of both current interest bonds, par value \$7,795,000, and capital appreciation bonds, par value \$74,994. The interest rates on the current interest bonds range from 2.00% to 4.75%. The capital appreciation bonds mature on December 1, 2022 (effective interest 12.880%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported in the Statement of Net Assets at June 30, 2005, was \$85,579.

Interest payments on the current interest bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 2031.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. The following is a summary of the future debt requirements to maturity for the general obligation bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 200,000	\$ 305,338	\$ 505,338	\$ -	\$ -	\$ -
2007	200,000	301,338	501,338	-	-	-
2008	205,000	297,185	502,185	-	-	-
2009	210,000	292,408	502,408	-	-	-
2010	220,000	286,758	506,758	-	-	-
2011 - 2015	1,190,000	1,324,789	2,514,789	-	-	-
2016 - 2020	1,420,000	1,080,908	2,500,908	-	-	-
2021 - 2025	1,000,000	492,093	1,492,093	670,000	-	670,000
2026 - 2030	2,005,000	471,556	2,476,556	-	-	-
2031 - 2032	945,000	45,481	990,481	-	-	-
Total	\$ 7,595,000	\$ 4,897,854	\$ 12,492,854	\$ 670,000	\$ -	\$ 670,000

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$890,010 and an unvoted debt margin of \$93,156.

NOTE 12 - NOTES PAYABLE

The District's notes payable activity for the fiscal year ended June 30, 2005 was as follows:

	Rate	Balance at 6/30/2004	Additions	Reductions	Balance at 6/30/2005
Governmental Activities	1.97%	\$ 7,872,000	\$ -	\$ (7,872,000)	\$ -

On January 28, 2004, the District issued \$7,872,000 in bond anticipation notes to begin various District building projects. The notes bore an annual interest rate of 1.97% and matured on July 29, 2004. The notes were retired using the proceeds from the District's \$7,869,994 bond issue.

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.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13- OTHER EMPLOYEE BENEFITS - (Continued)

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 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.

C. Special Termination Benefits

The special termination benefit was available in fiscal year 2005 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:

<u>Number of Service Years</u>	<u>Age at Retirement</u>	<u>Benefit</u>
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 year	Any age	75% of severance pay to which the employee is entitled

NOTE 14- RISK MANAGEMENT

A. Comprehensive

The 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 2005, the District contracted for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Insurance provided by the Ohio School Plan	
Building and Contents - replacement cost (\$1,500 deductible)	\$21,481,896
Insurance provided by Ohio School Plan	
Automotive Liability	
Uninsured motorists	1,000,000
General liability	
Per occurrence	1,000,000
Aggregate	3,000,000

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 14- RISK MANAGEMENT - (Continued)

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.

B. North Central Ohio Joint Insurance Association

The District participates in the North Central Ohio Joint Insurance Association (the "Association"), a public entity shared risk pool consisting of eight local school district (See Note 2.A.). Each participating member pays premiums to the Association for employee medical, dental, life and vision coverage. The Association is responsible for the management and operation of the program. Upon withdrawal, the 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 members 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

C. Workers' Compensation

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

NOTE 15- DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15- DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$124,369, \$97,873 and \$83,777, respectively; 28.92% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$88,404 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The 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, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

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

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

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15- DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$512,588, \$491,768, and \$459,351, respectively; 81.32% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$95,772 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$8,017 made by the District and \$25,123 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 16- POSTEMPLOYMENT BENEFITS

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

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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$39,430 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 16- POSTEMPLOYMENT BENEFITS - (Continued)

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$56,718 during the 2005 fiscal year.

NOTE 17- BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ (572,774)
Net adjustment for revenue accruals	(82,818)
Net adjustment for expenditure accruals	(114,847)
Net adjustment for other sources/uses	(31,377)
Adjustment for encumbrances	<u>42,510</u>
GAAP basis	<u>\$ (759,306)</u>

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 18 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 19- STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (98,776)	\$ -
Current year set-aside requirement	157,421	157,421
Qualifying disbursements	<u>(130,532)</u>	<u>(173,993)</u>
Total	<u>\$ (71,887)</u>	<u>\$ (16,572)</u>
Cash balance carried forward to FY 2006	<u>\$ (71,887)</u>	<u>\$ -</u>

The 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.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

In addition to the above, the District has received in monies from the State of Ohio that are restricted for school bus purchases. At June 30, 2005, the balance in of this fund was \$9,333.

A schedule of the governmental fund restricted assets at June 30, 2005 follows:

Amount restricted for school bus purchase	<u>\$9,333</u>
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**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2005, wherein we noted the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated December 23, 2005, we reported certain other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

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

We intend this report solely for the information and use of the finance committee, management and the Board of Education. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 23, 2005

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2005-001
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Investment Transactions

During fiscal year 2004, Mohawk Local School District invested approximately \$15.7 million of bond and note issuance proceeds through Butler Wick. At June 30, 2005, the District had approximately \$7.9 million still invested through Butler Wick. These investments are not registered in the name of the District, but are held in Butler Wick's name and are commingled with securities being held by Butler Wick for other clients. Maintaining District investments in the name of a third party may limit the District's control of those investments and may represent a substantial risk of loss to the District.

We recommend that District management discuss the investing arrangements with its legal counsel to determine if they are consistent with the requirements of Ohio law.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Investing arrangement with Butler Wick	No	Not corrected; this matter is being repeated as finding 2005-001.



**Auditor of State
Betty Montgomery**

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800-282-0370
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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
JANUARY 19, 2006**