

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mohawk Local School District
Wyandot County
605 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, 2007, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2007, and the respective changes in cash financial position and the budgetary comparison for the General and Classroom Facilities Maintenance funds for the year then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2007, 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 the Government Accounting Standards Board 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

October 22, 2007

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED**

The management's 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 year ended June 30, 2007, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- The total net cash assets of the District decreased \$5,277,102 or 75.30% from fiscal year 2006.
- General cash receipts accounted for \$8,144,044 or 63.84% of total governmental activities cash receipts. Special Items consisted of auction proceeds totaling \$89,415 or 0.70% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,523,475 or 35.46% of total governmental activities cash receipts.
- The District had \$18,034,036 in cash disbursements related to governmental activities; \$4,523,475 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements not restricted to specific programs) of \$8,144,044 were not adequate to provide for these programs.
- The District's major funds are the general fund, Classroom Facilities Maintenance special revenue fund, Debt Service fund and Classroom Facilities capital projects fund. The general fund, the District's largest major fund, had cash receipts and transfers in of \$8,479,361 in 2007. The cash disbursements of the general fund, totaled \$8,539,079 in 2007. The general fund's cash balance increased \$29,697 or 110% from 2006 to 2007.
- The Classroom Facilities Maintenance special revenue fund, a District major fund, had cash receipts of \$75,083 and cash disbursements of \$961 in 2007. The Classroom Facilities Maintenance special revenue fund cash balance increased \$74,122 or 63.04% from 2006 to 2007.
- The Debt Service fund, a District major fund, had cash receipts and transfers in of \$574,028 in 2007. The Debt Service fund had cash disbursements of \$542,444 in 2007. The Debt Service fund cash balance increased \$31,584 or 18.08% from 2006 to 2007.
- The Classroom Facilities capital projects fund, a District major fund, had cash receipts of \$2,673,233 in 2007. The Classroom Facilities capital projects fund had cash disbursements of \$7,416,992 in 2007. The Classroom Facilities capital projects fund cash balance decreased \$4,743,759 or 82.16% from 2006 to 2007.

Using the Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis 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, there are four major governmental funds. The general fund is the largest major fund.

Reporting the District as a Whole

Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer the question, "How did we do financially during 2007?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the cash basis 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, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Governmental Activities include District's programs and services including instruction, support services, operation of non-instructional services, extracurricular activities, food service operations, facilities acquisition and construction, and debt service.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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, Classroom Facilities Maintenance special revenue fund, Debt Service fund and Classroom Facilities capital projects fund. The analysis of the District's major governmental funds begins on page 10.

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 the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed 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 cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-20 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund and Classroom Facilities Maintenance special revenue fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statements can be found on pages 21-22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. Only the cash held at year end for these funds is reported on page 23-24.

Notes to the 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 notes to the financial statements can be found on pages 25-45 of this report.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
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(Continued)**

Government-Wide Financial Analysis

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

The table below provides a summary of the District's net cash assets for 2007 and 2006.

	Net Cash Assets	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 1,731,199	\$ 7,008,301
Total assets	<u>1,731,199</u>	<u>7,008,301</u>
<u>Net Cash Assets</u>		
Restricted	1,667,195	6,981,395
Unrestricted	<u>64,004</u>	<u>26,906</u>
Total net cash assets	<u>\$ 1,731,199</u>	<u>\$ 7,008,301</u>

The total net cash assets of the District decreased \$5,277,102, which represents a 75.30% decrease from fiscal year 2006.

This decrease was primarily due to the completion of the Ohio School Facilities (OSFC) project during fiscal year 2007.

The balance of government-wide unrestricted net cash assets of \$64,004 may be used to meet the District's ongoing obligations to citizens and creditors.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
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(Continued)**

The table below shows the changes in net cash assets for fiscal year 2007 and 2006.

	Change in Net Cash Assets	
	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,055,128	\$ 1,110,053
Operating grants and contributions	939,435	512,904
Capital grants and contributions	<u>2,528,912</u>	<u>4,341,336</u>
Total program cash receipts	<u>4,523,475</u>	<u>5,964,293</u>
General cash receipts:		
Property and other taxes	3,526,464	3,410,789
Unrestricted grants:		
Operating	4,368,781	4,772,641
Investment earnings	216,926	389,740
Other	<u>31,873</u>	<u>175,567</u>
Total general cash receipts	<u>8,144,044</u>	<u>8,748,737</u>
Special item	<u>89,415</u>	<u>-</u>
Total cash receipts	<u>\$ 12,756,934</u>	<u>\$ 14,713,030</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

	Change in Net Cash Assets	
	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>
Cash Disbursements:		
Instruction:		
Regular	\$ 4,450,932	\$ 4,198,559
Special	1,073,832	1,036,050
Vocational	81,752	78,068
Adult	642	594
Other	16,133	13,466
Support services:		
Pupil	429,843	393,024
Instructional staff	359,535	367,685
Board of education	22,825	31,283
Administration	716,453	943,937
Fiscal	284,518	280,118
Business	37,586	46,656
Operations and maintenance	731,307	638,122
Pupil transportation	438,859	520,652
Central	41,455	59,228
Operation of non instruction	489	1,079
Food service operations	378,098	349,090
Extracurricular	459,335	527,380
Facilities acquisition and construction	7,979,102	16,261,263
Debt service:		
Principal retirement	230,001	230,001
Interest and fiscal charges	<u>301,339</u>	<u>305,338</u>
 Total cash disbursements	 <u>18,034,036</u>	 <u>26,281,593</u>
 Change in net cash assets	 (5,277,102)	 (11,568,563)
Net cash assets at beginning of year	<u>7,008,301</u>	<u>18,576,864</u>
Net cash assets at end of year	<u>\$ 1,731,199</u>	<u>\$ 7,008,301</u>

Governmental Activities

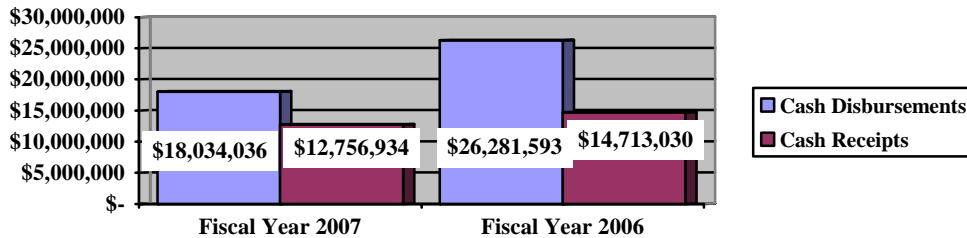
Governmental cash assets decreased by \$5,277,102 in 2007 from 2006. Total governmental disbursements of \$18,034,036 were offset by program receipts of \$4,523,475 and general receipts and special items of \$8,233,459. Program receipts supported 25.08% of the total governmental disbursements. The largest governmental disbursement was facilities acquisition and construction which totaled \$7,979,102. This expenditure line decreased 50.93% from 2006 due to the completion of the OSFC project during 2007.

The primary sources of receipts for governmental activities are derived from property taxes, and grants and entitlements. These receipt sources represent 61.89% of total governmental receipts. Real estate property is reappraised every six years.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

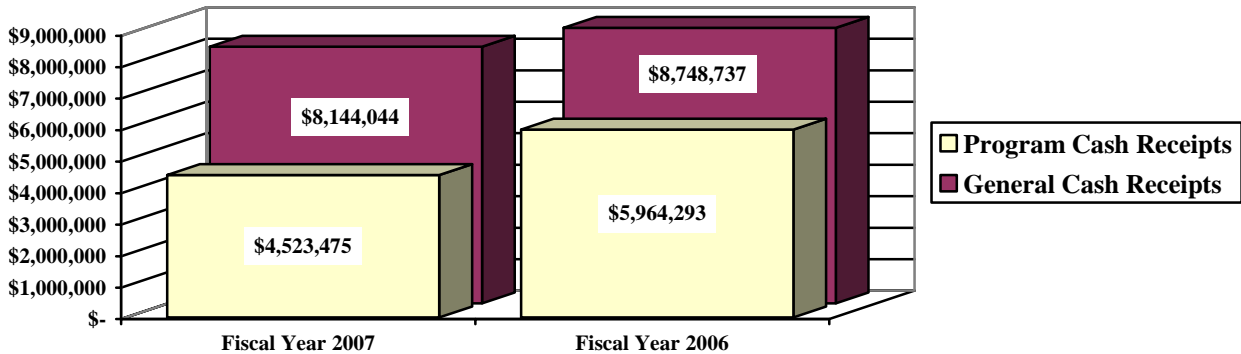
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Cash disbursements:				
Instruction:				
Regular	\$ 4,450,932	\$ 3,830,893	\$ 4,198,559	\$ 3,535,890
Special	1,073,832	383,277	1,036,050	759,840
Vocational	81,752	61,833	78,068	78,068
Adult	642	642	594	594
Other	16,133	16,133	13,466	13,466
Support services:				
Pupil	429,843	359,603	393,024	323,333
Instructional staff	359,535	329,821	367,685	344,197
Board of education	22,825	11,080	31,283	10,057
Administration	716,453	716,166	943,937	943,695
Fiscal	284,518	284,518	280,118	280,118
Business	37,586	25,586	46,656	34,656
Operations and maintenance	731,307	728,585	638,122	633,985
Pupil transportation	438,859	407,665	520,652	513,922
Central	41,455	36,455	59,228	54,228
Operation of non instruction	489	(49)	1,079	-
Food service operations	378,098	19,832	349,090	(11,950)
Extracurricular	459,335	307,733	527,380	336,927
Facilities acquisition and construction	7,979,102	5,459,448	16,261,263	11,930,935
Debt service:				
Principal retirement	230,001	230,001	230,001	230,001
Interest and fiscal charges	301,339	301,339	305,338	305,338
Total	<u>\$ 18,034,036</u>	<u>\$ 13,510,561</u>	<u>\$ 26,281,593</u>	<u>\$ 20,317,300</u>

The dependence upon general cash receipts for governmental activities is apparent; with 74.92% of cash disbursements supported through taxes and other general cash receipts during 2007.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$1,731,199, which is \$5,277,102 below last year's total of \$7,008,301. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2007 and June 30, 2006, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2007</u>	Fund Cash Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$ 56,603	\$ 26,906	\$ 29,697
Classroom Facilities Maintenance	191,703	117,581	74,122
Classroom Facilities	1,030,222	5,773,981	(4,743,759)
Debt Service	206,259	174,675	31,584
Other Nonmajor Governmental Funds	<u>246,412</u>	<u>915,158</u>	<u>(668,746)</u>
Total	<u>\$ 1,731,199</u>	<u>\$ 7,008,301</u>	<u>\$(5,277,102)</u>

General Fund

The General fund, the District's largest major fund, had cash receipts and transfers in of \$8,479,361 in 2007. The cash disbursements of the general fund, totaled \$8,539,079 in 2007. The general fund's cash balance increased \$29,697 or 110% from 2006 to 2007.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
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(Continued)**

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2007 Amount</u>	<u>2006 Amount</u>	<u>Percentage Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 3,008,379	\$ 2,870,719	4.80 %
Tuition	519,191	530,592	(2.15) %
Earnings on investments	30,099	29,093	3.46 %
Other local revenues	105,586	129,773	(18.64) %
Intergovernmental	<u>4,694,878</u>	<u>4,709,519</u>	(0.31) %
Total	<u>\$ 8,358,133</u>	<u>\$ 8,269,696</u>	1.07 %

Cash receipts remained comparable to 2006. Overall, cash receipts increased \$88,437 from 2006.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2007 Amount</u>	<u>2006 Amount</u>	<u>Percentage Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 5,313,525	\$ 5,005,779	6.15 %
Support services	2,920,657	3,133,605	(6.80) %
Extracurricular	294,394	318,957	(7.70) %
Facilities acquisition and construction	<u>10,503</u>	<u>49,315</u>	(78.70) %
Total	<u>\$ 8,539,079</u>	<u>\$ 8,507,656</u>	0.37 %

Cash disbursements remained comparable to 2006. Overall, cash disbursements increased \$31,423 from 2006.

Classroom Facilities Maintenance Fund

The Classroom Facilities Maintenance special revenue fund, a District major fund, had cash receipts of \$75,083 and cash disbursements of \$961 in 2007. The Classroom Facilities Maintenance special revenue fund cash balance increased \$74,122 or 63.04% from 2006 to 2007.

Debt Service Fund

The Debt Service fund, a District major fund, had cash receipts and transfers in of \$574,028 in 2007. The Debt Service fund had cash disbursements of \$542,444 in 2007. The Debt Service fund cash balance increased \$31,584 or 18.08% from 2006 to 2007.

Classroom Facilities Fund

The Classroom Facilities capital projects fund, a District major fund, had cash receipts of \$2,673,233 in 2007. The Classroom Facilities capital projects fund had cash disbursements of \$7,416,992 in 2007. The Classroom Facilities capital projects fund cash balance decreased \$4,743,759 or 82.16% from 2006 to 2007.

**MOHAWK LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Budgeting Highlights - General Fund

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.

For the general fund, final budget basis receipts and other financing sources were \$71,671 higher than original budget estimates of \$8,400,878. Actual cash receipts and other financing sources of \$8,479,362 were more than final budget estimates by \$6,813. The final budgetary basis disbursements of \$8,576,527 were \$271,228 higher than original budget estimates. The actual budgetary basis disbursements of \$8,540,370 were \$36,157 less than the final budget estimates.

Budgeting Highlights – Classroom Facilities Maintenance Fund

The classroom facilities maintenance fund is another significant budgeted fund. For the classroom facilities maintenance fund, final budget basis receipts of \$51,356 were the same as original budget estimates. Actual cash receipts of \$75,083 were more than final budget estimates by \$23,727. The final budgetary basis disbursements of \$35,000 were the same as original budget estimates. The actual budgetary basis disbursements of \$961 were \$34,039 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$7,979,102 during fiscal year 2007.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2007 and 2006:

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
General obligation bonds	\$ 7,304,044	\$ 7,491,603
Total long-term obligations	<u>\$ 7,304,044</u>	<u>\$ 7,491,603</u>

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 School Facilities Commission (OSFC.)

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 to construct an auditorium and an all-weather track, and a .5 mill Classroom Facilities Maintenance levy. The local initiative bond for \$1,400,000 will be used to construct an auditorium (\$975,330) and an all-weather track (\$274,670.) The cost of the track was \$415,591 with the local Athletic Boosters donating \$110,000 of the total.

The Board opened the new facility on January 8, 2007. By combining four facilities into one, the District is maximizing its resources and attempting to 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 resulted with the District becoming a guarantee district, receiving no more basic State funding in fiscal year 2006 and 2007 than it received in 2005. The anticipated cash deficit at the end of fiscal year 2007 was avoided by eliminating field trips, paying the OSFC Hardship loan payment with money from the Locally Funded Initiative Fund (004), and holding the payment of the property, fleet and liability insurances until July 2, 2007.

The new biennium budget provides no new revenues for the District. The District will remain at the 2005 guarantee for the next two years. Six teaching positions were eliminated for the 2008 school year, and the 2007 salary schedules were adopted by the board and the teachers' union for 2008 and 2009 to avoid a cash deficit at the end of 2008. The District will go to the ballot on November 6, 2007, to ask voters for an additional .50% income tax for three years to avoid operating deficits at the end of 2009, 2010 and 2011.

The District will continue to call upon all of its financial abilities 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 citizens, taxpayers, 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, 605 St. Highway 231, Sycamore, OH 44882-9434.

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,731,199
Total assets.	1,731,199
Net Cash Assets:	
Restricted for:	
Capital projects	1,138,877
Perpetual care:	
Expendable.	824
Nonexpendable.	10,101
Debt service	206,259
Classroom facilities maintenance.	191,703
State funded programs	2,000
Federally funded programs	37,934
Student activities.	42,727
Public school support.	36,770
Unrestricted.	64,004
Total net cash assets.	\$ 1,731,199

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,450,932	\$ 602,072	\$ 17,967	\$ -	\$ (3,830,893)
Special	1,073,832	-	690,555	-	(383,277)
Vocational	81,752	-	19,919	-	(61,833)
Adult	642	-	-	-	(642)
Other	16,133	-	-	-	(16,133)
Support services:					
Pupil	429,843	-	70,240	-	(359,603)
Instructional staff	359,535	-	29,714	-	(329,821)
Board of education	22,825	11,745	-	-	(11,080)
Administration	716,453	-	287	-	(716,166)
Fiscal	284,518	-	-	-	(284,518)
Business	37,586	-	12,000	-	(25,586)
Operations and maintenance	731,307	1,522	1,200	-	(728,585)
Pupil transportation	438,859	-	21,936	9,258	(407,665)
Central	41,455	-	5,000	-	(36,455)
Operation of non-instructional services					
	489	-	538	-	49
Food service operations					
	378,098	288,187	70,079	-	(19,832)
Extracurricular					
	459,335	151,602	-	-	(307,733)
Facilities acquisition and construction					
	7,979,102	-	-	2,519,654	(5,459,448)
Debt service:					
Principal retirement	230,001	-	-	-	(230,001)
Interest and fiscal charges	301,339	-	-	-	(301,339)
Totals	\$ 18,034,036	\$ 1,055,128	\$ 939,435	\$ 2,528,912	(13,510,561)

General Cash Receipts:

Taxes levied for:	
General purposes	3,008,379
Debt Service	476,719
Special revenue	41,366
Grants and entitlements not restricted to specific programs	4,368,781
Investment receipts.	216,926
Miscellaneous	31,873
Total general cash receipts.	8,144,044
Special item - auction proceeds.	89,415
Total general cash receipts and special items	8,233,459
Change in net cash assets.	(5,277,102)
Net cash assets at beginning of year.	7,008,301
Net cash assets at end of year.	\$ 1,731,199

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Classroom Maintenance	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	\$ 56,603	\$ 191,703	\$ 206,259	\$ 1,030,222	\$ 246,412	\$ 1,731,199
Total assets	\$ 56,603	\$ 191,703	\$ 206,259	\$ 1,030,222	\$ 246,412	\$ 1,731,199
Fund Cash Balances:						
Reserved for encumbrances.	\$ 1,290	\$ -	\$ -	\$ 389,492	\$ 19,059	\$ 409,841
Reserved for debt service	-	-	206,259	-	-	206,259
Unreserved, undesignated, reported in:						
General fund.	55,313	-	-	-	-	55,313
Special revenue funds	-	191,703	-	-	126,832	318,535
Capital projects funds	-	-	-	640,730	89,596	730,326
Permanent funds	-	-	-	-	10,925	10,925
Total fund cash balances	\$ 56,603	\$ 191,703	\$ 206,259	\$ 1,030,222	\$ 246,412	\$ 1,731,199

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>
Cash receipts:				
From local sources:				
Taxes	\$ 3,008,379	\$ 41,366	\$ 476,719	\$ -
Tuition	519,191	-	-	-
Earnings on investments	30,099	5,477	8,734	153,579
Charges for services	-	-	-	-
Extracurricular	5,400	-	-	-
Classroom materials and fees	48,500	-	-	-
Other local revenues	51,686	-	-	-
Intergovernmental - intermediate	-	-	-	-
Intergovernmental - state	4,674,281	28,240	58,574	2,519,654
Intergovernmental - federal	20,597	-	-	-
Total cash receipts	<u>8,358,133</u>	<u>75,083</u>	<u>544,027</u>	<u>2,673,233</u>
Cash disbursements:				
Instruction:				
Regular	4,433,499	-	-	-
Special	781,499	-	-	-
Vocational	81,752	-	-	-
Adult	642	-	-	-
Other	16,133	-	-	-
Support services:				
Pupil	367,207	-	-	-
Instructional staff	328,924	-	-	-
Board of education	22,825	-	-	-
Administration	705,312	-	-	-
Fiscal	272,453	961	11,104	-
Business	25,586	-	-	-
Operations and maintenance	730,057	-	-	-
Pupil transportation	431,949	-	-	-
Central	36,344	-	-	-
Operation of non-instructional services	-	-	-	-
Food service operations	-	-	-	-
Extracurricular	294,394	-	-	-
Facilities acquisition and construction	10,503	-	-	7,416,992
Debt service:				
Principal retirement	-	-	230,001	-
Interest and fiscal charges	-	-	301,339	-
Total cash disbursements	<u>8,539,079</u>	<u>961</u>	<u>542,444</u>	<u>7,416,992</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(180,946)</u>	<u>74,122</u>	<u>1,583</u>	<u>(4,743,759)</u>
Other financing sources (uses):				
Transfers in	121,228	-	30,001	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>121,228</u>	<u>-</u>	<u>30,001</u>	<u>-</u>
Special item:				
Auction proceeds	89,415	-	-	-
Net change in fund cash balances	29,697	74,122	31,584	(4,743,759)
Fund cash balances at beginning of year	<u>26,906</u>	<u>117,581</u>	<u>174,675</u>	<u>5,773,981</u>
Fund cash balances at end of year	<u>\$ 56,603</u>	<u>\$ 191,703</u>	<u>\$ 206,259</u>	<u>\$ 1,030,222</u>

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,526,464
-	519,191
19,037	216,926
288,187	288,187
146,202	151,602
-	48,500
27,835	79,521
2,901	2,901
32,668	7,313,417
500,213	520,810
<u>1,017,043</u>	<u>12,667,519</u>
17,433	4,450,932
292,333	1,073,832
-	81,752
-	642
-	16,133
62,636	429,843
30,611	359,535
-	22,825
11,141	716,453
-	284,518
12,000	37,586
1,250	731,307
6,910	438,859
5,111	41,455
489	489
378,098	378,098
164,941	459,335
551,607	7,979,102
-	230,001
-	301,339
<u>1,534,560</u>	<u>18,034,036</u>
<u>(517,517)</u>	<u>(5,366,517)</u>
-	151,229
<u>(151,229)</u>	<u>(151,229)</u>
<u>(151,229)</u>	<u>-</u>
-	89,415
<u>(668,746)</u>	<u>(5,277,102)</u>
915,158	7,008,301
<u>\$ 246,412</u>	<u>\$ 1,731,199</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
From local sources:				
Taxes	\$ 2,937,579	\$ 2,980,579	\$ 3,008,379	\$ 27,800
Tuition.	528,000	528,000	519,191	(8,809)
Earnings on investments	17,000	27,000	30,099	3,099
Classroom materials and fees	42,350	42,350	48,500	6,150
Extracurricular activities	-	-	5,400	5,400
Other local revenues	35,900	51,071	45,579	(5,492)
Intergovernmental - state	4,700,252	4,703,752	4,674,281	(29,471)
Intergovernmental - federal	18,569	18,569	20,597	2,028
Total budgetary basis receipts	<u>8,279,650</u>	<u>8,351,321</u>	<u>8,352,026</u>	<u>705</u>
Budgetary basis disbursements:				
Instruction:				
Regular	4,101,193	4,441,606	4,433,650	7,956
Special	759,933	781,614	781,499	115
Vocational	82,716	84,816	81,752	3,064
Adult	1,253	1,253	642	611
Other	18,095	18,007	16,133	1,874
Support services:				
Pupil	344,348	368,658	367,207	1,451
Instructional staff	349,802	331,418	329,024	2,394
Board of education	42,567	23,667	22,825	842
Administration	808,567	710,797	705,488	5,309
Fiscal	271,580	273,969	272,453	1,516
Business.	35,800	28,747	25,586	3,161
Operations and maintenance.	628,268	734,880	730,891	3,989
Pupil transportation.	473,727	432,720	431,949	771
Central	55,984	36,418	36,344	74
Extracurricular	310,861	295,940	294,424	1,516
Facility acquisition and construction	20,605	12,017	10,503	1,514
Total budgetary basis disbursements.	<u>8,305,299</u>	<u>8,576,527</u>	<u>8,540,370</u>	<u>36,157</u>
Excess of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(25,649)</u>	<u>(225,206)</u>	<u>(188,344)</u>	<u>36,862</u>
Other financing sources:				
Sale of capital assets	-	-	2,198	2,198
Refund of prior year expenditures	-	-	3,910	3,910
Transfers in.	121,228	121,228	121,228	-
Total other financing sources	<u>121,228</u>	<u>121,228</u>	<u>127,336</u>	<u>6,108</u>
Special item:				
Auction proceeds	88,000	88,000	89,415	1,415
Net change in fund cash balance	183,579	(15,978)	28,407	44,385
Fund cash balance at beginning of year	11,607	11,607	11,607	-
Prior year encumbrances appropriated	<u>15,299</u>	<u>15,299</u>	<u>15,299</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 210,485</u>	<u>\$ 10,928</u>	<u>\$ 55,313</u>	<u>\$ 44,385</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Taxes	\$ 45,506	\$ 45,506	\$ 41,366	\$ (4,140)
Earnings on investments	750	750	5,477	4,727
Intergovernmental - state	5,100	5,100	28,240	23,140
Total budgetary basis receipts	<u>51,356</u>	<u>51,356</u>	<u>75,083</u>	<u>23,727</u>
Budgetary basis disbursements:				
Support services:				
Fiscal	3,000	3,000	961	2,039
Operations and maintenance.	32,000	32,000	-	32,000
Total budgetary basis disbursements.	<u>35,000</u>	<u>35,000</u>	<u>961</u>	<u>34,039</u>
Net change in fund cash balance	16,356	16,356	74,122	57,766
Fund cash balance at beginning of year	117,581	117,581	117,581	-
Prior year encumbrances appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 133,937</u>	<u>\$ 133,937</u>	<u>\$ 191,703</u>	<u>\$ 57,766</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 20,527	\$ 65,745
Total assets	<u>\$ 20,527</u>	<u>\$ 65,745</u>
 Net cash assets:		
Held in trust for scholarships	\$ 20,527	\$ -
Held for student activities	<u>-</u>	<u>65,745</u>
Total net cash assets	<u>\$ 20,527</u>	<u>\$ 65,745</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET CASH ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 687
Gifts and contributions.	9,976
Total additions.	10,663
Deductions:	
Scholarships awarded	1,059
Change in net cash assets	9,604
Net cash assets at beginning of year	10,923
Net cash assets at end of year.	\$ 20,527

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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 statute and/or 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 477th largest in the State of Ohio (among 614 school districts) in terms of enrollment. It is staffed by 52 classified employees, 79 certified teaching personnel, and 6 administrative employees who provide services to 1,020 students and other community members. The District currently operates one building that houses all students, staff, and administrative personnel.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

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, food services, 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; or (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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. 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 Lorraine Earnest, 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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 Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. 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. The District has no proprietary funds.

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. 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.

Classroom Facilities Maintenance Fund - The classroom facilities maintenance fund is used to account for proceeds of a levy for the maintenance of facilities.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

Classroom Facilities Fund - The classroom facilities fund is used to account for financial resources to be used for the acquisition or construction of major capital 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; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash assets and changes in net cash 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 cash 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 private-purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

D. Basis of Presentation

Government-wide Financial Statements - The statement of net assets - cash basis and the statement of activities - cash basis 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 compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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.

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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 2007 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 2007.
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 is the fund level, the District presents budgetary statements at the fund/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.
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. Appropriation 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, 2007. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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 2007, investments were limited to federal agency securities, certificates of deposit and a money market mutual fund. Investments 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. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$30,099, which includes \$28,055 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 District's investment account at year-end is provided in Note 3.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

J. Fund Cash Balance Reserves

The District reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances and debt service.

K. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2007.

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the basic financial statements.

N. 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.

During fiscal year 2007, the District auctioned off all equipment from the buildings no longer in use. The proceeds of the auction totaled \$89,415 and have been presented as a special item on the financial statements.

NOTE 3 - 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.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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 (STAR 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,

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At year-end, the District had no undeposited cash on hand.

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$979,489. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$991,514 of the District's bank balance of \$1,094,149 was exposed to custodial risk as discussed below, while \$102,635 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. 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, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Cost</u>	<u>Investment Maturities 6 months or less</u>
U.S. Government Money Market	\$ 837,982	\$ 837,982
	<u>\$ 837,982</u>	<u>\$ 837,982</u>

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.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2007:

<u>Cash per footnote</u>	
Carrying amount of deposits	\$ 979,489
Investments	<u>837,982</u>
Total	<u>\$ 1,817,471</u>
 <u>Cash per Statement of Net Assets</u>	
Governmental activities	\$ 1,731,199
Private - purpose trust funds	20,527
Agency funds	<u>65,745</u>
Total	<u>\$ 1,817,471</u>

NOTE 4 - INTERFUND TRANSACTIONS

Transfer to General fund from:	
Nonmajor governmental fund - Termination Benefits fund	\$ 121,228
Transfer to Debt Service fund from:	
Nonmajor governmental fund - Building fund	<u>30,001</u>
	<u>\$ 151,229</u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts 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 5 - 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.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - PROPERTY TAXES – (Continued)

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Wyandot, Seneca and Crawford Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 90,303,930	93.27	\$ 91,822,470	94.12
Public utility personal	1,745,757	1.80	893,400	0.95
Tangible personal property	<u>4,775,400</u>	<u>4.93</u>	<u>4,841,910</u>	<u>4.93</u>
Total	<u>\$ 96,825,087</u>	<u>100.00</u>	<u>\$ 97,557,780</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 44.49		 44.49	

NOTE 6 - 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 renewed and became effective on January 1, 2006, 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 7 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/07</u>	<u>Amount Due in One Year</u>
Governmental Activities:						
<u>General Obligation Bonds:</u>						
School improvement bonds	2-4.75%	\$ 7,395,000	\$ -	\$ (200,000)	\$ 7,195,000	\$ 205,000
Capital appreciation bonds	12.88%	<u>96,603</u>	<u>12,441</u>	<u>-</u>	<u>109,044</u>	<u>-</u>
Total governmental activities		<u>\$ 7,491,603</u>	<u>\$ 12,441</u>	<u>\$ (200,000)</u>	<u>\$ 7,304,044</u>	<u>\$ 205,000</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 through 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. Payments of principal and interest relating to these bonds 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.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

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, 2007, 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 at June 30, 2007, was \$109,044.

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.

- 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
2008	205,000	299,338	\$ 504,338	\$ -	\$ -	\$ -
2009	210,000	295,033	505,033	-	-	-
2010	220,000	289,783	509,783	-	-	-
2011	225,000	283,733	508,733	-	-	-
2012	230,000	276,983	506,983	-	-	-
2013 - 2017	1,270,000	1,261,181	2,531,181	-	-	-
2018 - 2022	1,205,000	818,760	2,023,760	335,000	-	335,000
2023 - 2027	1,425,000	591,851	2,016,851	335,000	-	335,000
2028 - 2032	2,205,000	324,190	2,529,190	-	-	-
Total	<u>\$ 7,195,000</u>	<u>\$ 4,440,852</u>	<u>\$ 11,635,852</u>	<u>\$ 670,000</u>	<u>\$ -</u>	<u>\$ 670,000</u>

- D. During fiscal year 2006, the District was approved for a \$300,010 hardship loan promissory note to the Ohio School Facilities Commission (OSFC), to provide funds for the OSFC construction project that was started in 2004. This note has no interest rate as long as the note is paid in a timely manner. The maturity date for the note is in fiscal year 2011. The District did not receive the proceeds of the promissory note in fiscal year 2007, but did make a principal only payment of one-half the regular payment or \$30,001.

The following is a summary of the future debt payment requirements to maturity for the OSFC hardship loan promissory note:

Year Ended	OSFC Hardship Note		
	Principal	Interest	Total
2008	\$ 60,002	\$ -	\$ 60,002
2009	60,002	-	60,002
2010	60,002	-	60,002
2011	60,002	-	60,002
Total	<u>\$ 240,008</u>	<u>\$ -</u>	<u>\$ 240,008</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

E. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$1,635,502 (including available funds of \$206,259) and an unvoted debt margin of \$95,825.

NOTE 8 - 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 2007, 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)	\$21,122,030
Insurance provided by Ohio School Plan	
Automotive Liability	
Uninsured motorists	1,000,000
General liability	
Per occurrence	1,000,000
Aggregate	3,000,000

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

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 districts (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

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 8 - RISK MANAGEMENT – (Continued)

C. Workers' Compensation

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan 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 Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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. That 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 (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$125,453, \$123,657, and \$124,369; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

B. State Teachers Retirement System of Ohio

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 9 - PENSION PLANS – (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$512,935, \$515,062 and \$512,588; 100 percent has been contributed for fiscal year 2007, 2006 and 2005.

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, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$39,457 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$56,339 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 11 - 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 12 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the general fund and major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

	<u>Net Change in Fund Cash Balance</u>	
	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>
Cash Basis	\$ 29,697	\$ 74,122
Adjustment for Encumbrances	(1,290)	-
Budget Basis	<u>\$ 28,407</u>	<u>\$ 74,122</u>

NOTE 13 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund cash receipt 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, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Acquisition</u>
Set-aside cash balance as of June 30, 2006	\$ (4,584)	\$ (694,614)
Current year set-aside requirement	160,113	160,113
Qualifying disbursements	<u>(736,426)</u>	<u>(612,488)</u>
Total	<u>\$ (580,897)</u>	<u>\$ (1,146,989)</u>
Cash balance carried forward to FY 2008	<u>\$ (580,897)</u>	<u>\$ (1,146,989)</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 13 - STATUTORY RESERVES – (Continued)

The District had qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts to below zero. The District may, and has chosen to, carry forward the excess amount for the set-asides to offset set-aside requirements of future years.

NOTE 14 - CONTRACTUAL COMMITMENTS

The District is currently involved in a construction project which resulted in contractual commitments remaining at fiscal year-end. The District had the following contractual commitments outstanding as of June 30, 2007:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended Through 6/30/07</u>	<u>Balance at 6/30/07</u>
Adena Corporation	\$ 11,946,202	\$ 11,829,769	\$ 116,433
Bodie Electric, Inc.	1,809,521	1,787,470	22,051
George J. Igel & Co., Inc.	3,113,358	3,073,480	39,878
Microman, Inc.	946,781	938,759	8,022
Vaughn Industries	3,345,439	3,307,843	37,596
Vulcan Enterprises, Inc.	<u>353,072</u>	<u>347,070</u>	<u>6,002</u>
Total	<u>\$ 21,514,373</u>	<u>\$ 21,284,391</u>	<u>\$ 229,982</u>

NOTE 15 - FINANCIAL DIFFICULTIES

In anticipation of a deficit at June 2008, the District Board of Education placed an additional .5% income tax levy on the May 8, 2007 ballot which was estimated to generate \$550,000 per year, however it failed. The Board of Education took further action by eliminating five teaching positions and implementing an activity fee of \$250 for all high school students and \$150 for all junior high students choosing to participate in extracurricular activities. The one time fee will allow a student to participate in as many activities as they wish during the school year. These fees are projected to raise \$88,000. After implementing these actions the Board projects ending fiscal year 2008 with a balance of \$26,044, and projects a deficit of \$289,160 in fiscal year 2009.

The Board of Education has placed a .5% income tax levy on the November 7, 2007 ballot for a three year term to balance fiscal year 2009. If the levy fails, a plan will be devised to balance fiscal year 2009 which would include more staff eliminations and continuation of the student activity fee at a higher amount.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
Pass Through Grantor Program Title						
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$ -	\$ 48,976	\$ -	\$ 48,976
National School Lunch Program	050740-LLP4-2007	10.555	56,136	-	56,136	-
	050740-LLP4-2006		11,589	-	11,589	-
Total National School Lunch Program			<u>67,725</u>	<u>-</u>	<u>67,725</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>67,725</u>	<u>48,976</u>	<u>67,725</u>	<u>48,976</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	050740-6BSF-2007	84.027	243,948	-	219,112	-
	050740-6BSF-2006		28,496	-	28,496	-
<i>Passed Through the Putnam County Educational Service Center</i>						
Special Education Grants to States	049304-6BII-2006		2,500	-	2,500	-
Total Special Education Grants to States			<u>274,944</u>	<u>-</u>	<u>250,108</u>	<u>-</u>
<i>Passed Through the Ohio Department of Education:</i>						
Special Education - Preschool Grant	050740-PGS1-2007	84.173	14,637	-	13,024	-
	050740-PGS1-2006		3,311	-	3,311	-
Total Special Education - Preschool Grant			<u>17,948</u>	<u>-</u>	<u>16,335</u>	<u>-</u>
Total Special Education Cluster			<u>292,892</u>	<u>-</u>	<u>266,443</u>	<u>-</u>
Title I Grants to Local Educational Agencies	050740-C1S1-2007	84.010	83,212	-	74,230	-
	050740-C1S1-2006		15,463	-	15,463	-
Total Title I Grants to Local Educational Agencies			<u>98,675</u>	<u>-</u>	<u>89,693</u>	<u>-</u>
State Grants for Innovative Programs	050740-C2S1-2007	84.298	1,370	-	1,370	-
Improving Teacher Quality State Grants	050740-TRS1-2007	84.367	30,773	-	28,271	-
	050740-TRS1-2006	84.367	4,638	-	4,638	-
Total Improving Teacher Quality State Grants			<u>35,411</u>	<u>-</u>	<u>32,909</u>	<u>-</u>
Safe & Drug-Free Schools and Communities-State Grant	050740-DRS1-2007	84.186	3,206	-	3,206	-
Education Technology State Grants	050740-TJS1-2007	84.318	934	-	934	-
Total U.S. Department of Education			<u>432,488</u>	<u>-</u>	<u>394,555</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 500,213</u>	<u>\$ 48,976</u>	<u>\$ 462,280</u>	<u>\$ 48,976</u>

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.



Mary Taylor, CPA

Auditor of State

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
605 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, 2007 which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2007, wherein we noted the District presented financial statements on the cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated October 22, 2007.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the finance committee, management, Board of Education, federal awarding agencies, and pass through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 22, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Mohawk Local School District, Wyandot County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

October 22, 2007

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

Finding Number	2007-001
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Noncompliance Finding / Significant Deficiency

GAAP Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2007, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures, that while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

We recommend the District prepare its financial statements on the GAAP basis of accounting.

Officials' Response

Due to financial constraints, the Mohawk Board of Education passed a resolution to not prepare its annual financial report in accordance with generally accepted accounting principles. This saved not only preparation cost, but audit cost as well. The financial statements were prepared in a GAAP look a like format.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Investing arrangement with Butler Wick	Yes	
2006-002	Reporting Financial Statements on GAAP basis	No	Not corrected, repeated as finding 2007-001.



Mary Taylor, CPA
Auditor of State

MOHAWK LOCAL SCHOOL DISTRICT

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 11, 2007**