



**Auditor of State  
Betty Montgomery**



**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	20
Statement of Fiduciary Net Assets – Fiduciary Funds .....	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	22
Notes to the Basic Financial Statements.....	23
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	53
Schedule of Findings.....	55

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mohawk Local School District, Wyandot County, Ohio, (the District), as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mohawk Local School District, Wyandot County, Ohio, as of June 30, 2004, and the respective changes in financial position, and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and increased its capitalization threshold for fixed assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

March 7, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The discussion and analysis of the Mohawk Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$19,356,038 which represents a 544.91% increase from 2003. \$19,415,140 of this increase is in capital grants from the Ohio Schools Facilities Commission.
- General revenues accounted for \$7,744,244 in revenue or 27.06% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$20,875,051 or 72.94% of total revenues of \$28,619,295.
- The District had \$9,263,257 in expenses related to governmental activities; 100% of these expenses were offset by program specific charges for services, grants or contributions.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$7,970,076 in revenues and other financing sources and \$8,223,382 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance decreased \$253,306 from \$792,681 to \$539,375.
- The debt service fund had \$8,142,550 in revenues and other financing sources and \$6,357 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$8,136,193 to \$8,136,193.
- The classroom facilities fund had \$8,228,059 in revenues and other financing sources, and \$465,122 in expenditures. During fiscal year 2004, the classroom facilities fund's fund balance increased \$7,762,937 to \$7,762,937.

**Using these Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

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

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

***Reporting the District's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

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

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

	<b>Net Assets</b>
	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 38,831,066
Capital assets	<u>3,530,385</u>
Total assets	<u>42,361,451</u>
<b><u>Liabilities</u></b>	
Current liabilities	10,991,750
Long-term liabilities	<u>8,461,540</u>
Total liabilities	<u>19,453,290</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	3,501,657
Restricted	19,166,204
Unrestricted	<u>240,300</u>
Total net assets	<u>\$ 22,908,161</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$22,908,161. Of this total, \$240,300 is unrestricted in use.

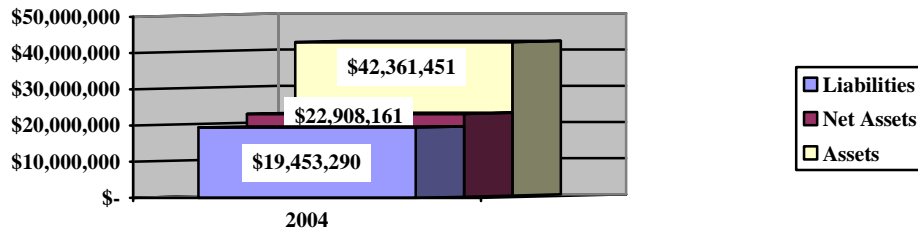
**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

At year-end, capital assets represented 8.33% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$3,501,657. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$19,166,204, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$240,300 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2004
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 1,034,866
Operating grants and contributions	399,470
Capital grants and contributions	19,440,715
General revenues:	
Property taxes	3,214,430
Grants and entitlements	4,517,788
Investment earnings	179,326
Decrease in fair market value of investments	(199,497)
Other	32,197
	<hr/>
Total revenues	28,619,295

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 3,602,149
Special	838,041
Vocational	84,723
Adult education	969
Other	446,280
Support services:	
Pupil	452,777
Instructional staff	398,214
Board of education	86,425
Administration	860,835
Fiscal	259,794
Business	55,617
Operations and maintenance	615,438
Pupil transportation	433,889
Central	58,857
Food service operations	277,416
Operations of non-instructional services	163,119
Extracurricular activities	490,699
Interest and fiscal charges	<u>138,015</u>
Total expenses	<u>9,263,257</u>
Change in net assets	<u><u>\$ 19,356,038</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$19,356,038. Total governmental expenses of \$9,263,257 were offset by program revenues of \$20,875,051. Program revenues supported 100% of the total governmental expenses.

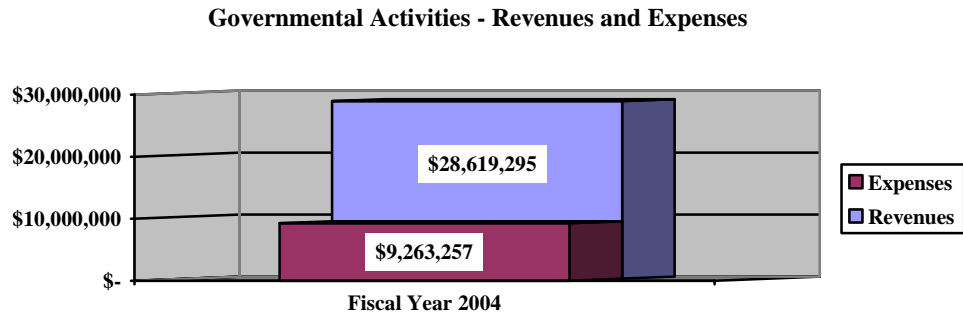
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 96.34% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,972,162 or 53.68% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

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



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

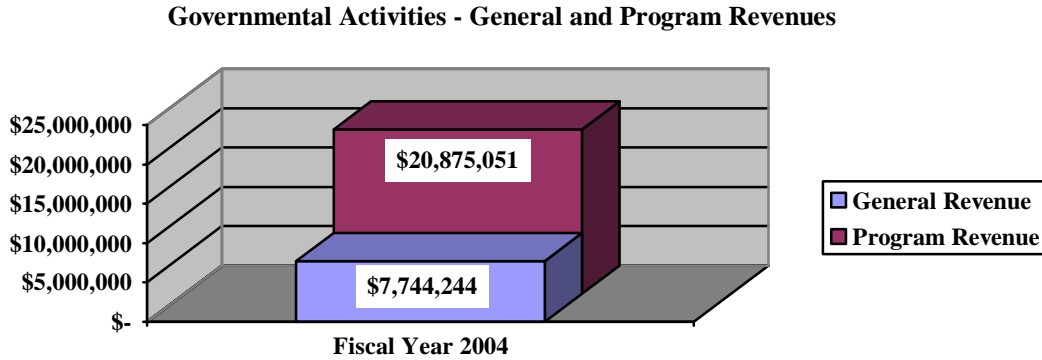
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 3,602,149	\$ 3,060,251
Special	838,041	623,873
Vocational	84,723	84,723
Adult education	969	969
Other	446,280	446,280
Support services:		
Pupil	452,777	401,270
Instructional staff	398,214	369,546
Board of education	86,425	37,141
Administration	860,835	860,835
Fiscal	259,794	259,494
Business	55,617	43,617
Operations and maintenance	615,438	(18,825,527)
Pupil transportation	433,889	427,290
Central	58,857	53,857
Food service operations	277,416	19,425
Operations of non-instructional services	163,119	159,117
Extracurricular activities	490,699	228,030
Interest and fiscal charges	138,015	138,015
<b>Total expenses</b>	<b>\$ 9,263,257</b>	<b>\$ (11,611,794)</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

The dependence upon tax and other general revenues for governmental activities is apparent, 84.79% of instruction activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, are by far the primary support for District's students.

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



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$10,294,933, which is higher than last year's total of \$1,077,338. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase (Decrease)	Percentage Change
General	\$ 539,375	\$ 792,681	\$ (253,306)	(31.96) %
Debt Service	8,136,193	-	8,136,193	100.00 %
Classroom Facilities	7,762,937	-	7,762,937	100.00 %
Other Governmental	<u>1,728,428</u>	<u>284,657</u>	<u>1,443,771</u>	507.20 %
Total	<u>\$ 18,166,933</u>	<u>\$ 1,077,338</u>	<u>\$ 17,089,595</u>	1,586.28 %

**General Fund**

The District's general fund balance decreased \$253,306 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Expenditures exceed revenues for fiscal year 2004 by \$186,135. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

	2004 <u>Amount</u>	2003 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 2,863,159	\$ 2,265,853	\$ 597,306	26.36 %
Tuition	457,465	560,932	(103,467)	(18.45) %
Earnings on investments	15,581	48,738	(33,157)	(68.03) %
Intergovernmental	4,486,052	4,257,613	228,439	5.37 %
Other revenues	<u>142,490</u>	<u>168,083</u>	<u>(25,593)</u>	(15.23) %
 Total	 <u>\$ 7,964,747</u>	 <u>\$ 7,301,219</u>	 <u>\$ 663,528</u>	 9.09 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,544,044	\$ 4,314,334	\$ 229,710	5.32 %
Support services	3,196,779	2,852,907	343,872	12.05 %
Non-instructional services	-	50	(50)	(100.00) %
Extracurricular activities	265,331	257,409	7,922	3.08 %
Facilities acquisition and construction	113,477	235,784	(122,307)	(51.87) %
Debt service	<u>31,251</u>	<u>32,338</u>	<u>(1,087)</u>	(3.36) %
 Total	 <u>\$ 8,150,882</u>	 <u>\$ 7,692,822</u>	 <u>\$ 458,060</u>	 5.95 %

***Debt Service Fund***

The debt service fund had \$8,142,550 in revenues and other financing sources and \$6,357 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$8,136,193 to \$8,136,193.

***Classroom Facilities Fund***

The classroom facilities fund had \$8,228,059 in revenues and other financing sources, and \$465,122 in expenditures. During fiscal year 2004, the classroom facilities fund's fund balance increased \$7,762,937 to \$7,762,937.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,048,512 and final budgeted revenues and other financing sources were \$8,035,126. Actual revenues and other financing sources for fiscal 2004 was \$7,849,906. This represents a \$185,220 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,436,620 were increased to \$8,625,020 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$8,454,522, which was \$170,498 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2004, the District had \$3,530,385 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 139,946	\$ 67,581
Land improvements	277,568	293,962
Building and improvements	2,240,340	2,326,201
Furniture and equipment	129,748	112,856
Vehicles	292,565	252,823
Construction in progress	450,218	-
Total	\$ 3,530,385	\$ 3,053,423

The overall increase in capital assets of \$476,962 is due to capital outlays of \$639,275 exceeding depreciation expense of \$162,313 in the fiscal year. \$450,218 of the increase in capital outlay is a result of construction in progress due to the Ohio Schools Facilities Commission project.

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

*Debt Administration*

At June 30, 2004, the District had \$7,869,994 in general obligation bonds, \$7,872,000 in bond anticipation notes and \$28,728 in capital lease obligations outstanding. Of this total, \$8,100,728 is due within one year and \$7,669,994 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental	Governmental
	Activities	Activities
	2004	2003
General obligation bonds	\$ 7,869,994	\$ -
Bond anticipation notes	7,872,000	-
Capital lease obligations	28,728	56,125
Total	\$ 15,770,722	\$ 56,125

At June 30, 2004, the District's overall legal debt margin was \$8,220,511, and an unvoted debt margin of \$91,339.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

**Current Financial Related Activities**

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

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

The Board anticipates opening the new facility in August 2006. By combining four facilities into one, the district intends to maximize resources and keep expenditures within its revenues. This is an ongoing challenge since the district relies on 60% of its operating revenues from the State of Ohio.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the States school funding plan and granted a motion for reconsideration on November 2, 2001. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations. The District has not anticipated a significant growth in State revenue.

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

**Contacting the District's Financial Management**

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



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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 2,797,941
Investments . . . . .	15,541,649
Receivables:	
Taxes . . . . .	2,546,591
Accounts . . . . .	9,282
Intergovernmental . . . . .	17,726,103
Accrued interest . . . . .	124,737
Prepayments . . . . .	47,335
Materials and supplies inventory . . . . .	37,428
Capital assets:	
Land . . . . .	139,946
Construction in progress . . . . .	450,218
Depreciable capital assets, net . . . . .	2,940,221
Capital assets, net. . . . .	3,530,385
 Total assets. . . . .	 42,361,451
 <b>Liabilities:</b>	
Accounts payable. . . . .	37,641
Contracts payable. . . . .	54,572
Accrued wages and benefits . . . . .	834,276
Pension obligation payable. . . . .	183,684
Intergovernmental payable . . . . .	36,255
Deferred revenue . . . . .	1,839,161
Accrued interest payable . . . . .	134,161
Notes Payable. . . . .	7,872,000
Long-term liabilities:	
Due within one year. . . . .	384,130
Due within more than one year . . . . .	8,077,410
Total liabilities . . . . .	19,453,290
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	3,501,657
Restricted for:	
Capital projects . . . . .	18,983,950
Debt service. . . . .	138,018
Perpetual care:	
Expendable . . . . .	433
Nonexpendable . . . . .	10,000
Other purposes . . . . .	33,803
Unrestricted. . . . .	240,300
Total net assets . . . . .	\$ 22,908,161

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 3,602,149	\$ 513,868	\$ 28,030	\$ -
Special . . . . .	838,041	-	214,168	-
Vocational . . . . .	84,723	-	-	-
Adult education . . . . .	969	-	-	-
Other . . . . .	446,280	-	-	-
Support services:				
Pupil . . . . .	452,777	-	51,507	-
Instructional staff . . . . .	398,214	-	28,668	-
Board of education . . . . .	86,425	49,284	-	-
Administration . . . . .	860,835	-	-	-
Fiscal . . . . .	259,794	-	300	-
Business . . . . .	55,617	-	12,000	-
Operations and maintenance . . . . .	615,438	250	-	19,440,715
Pupil transportation . . . . .	433,889	1,671	4,928	-
Central . . . . .	58,857	-	5,000	-
Operation of non-instructional services:				
Food service operations . . . . .	277,416	257,991	-	-
Other non-instructional services . . . . .	163,119	-	4,002	-
Extracurricular activities . . . . .	490,699	211,802	50,867	-
Interest and fiscal charges . . . . .	138,015	-	-	-
<b>Total governmental activities . . . . .</b>	<b>\$ 9,263,257</b>	<b>\$ 1,034,866</b>	<b>\$ 399,470</b>	<b>\$ 19,440,715</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	
Special revenue . . . . .	
Debt service . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Decrease in fair market value of investments . . . . .	
Miscellaneous . . . . .	
Total general revenues . . . . .	
Change in net assets . . . . .	
Net assets at beginning of year .(restated) . . . . .	
Net assets at end of year . . . . .	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense)  
Revenue and  
Changes in  
Net Assets**

---

**Governmental  
Activities**

---

\$	(3,060,251)
	(623,873)
	(84,723)
	(969)
	(446,280)
	(401,270)
	(369,546)
	(37,141)
	(860,835)
	(259,494)
	(43,617)
	18,825,527
	(427,290)
	(53,857)
	(19,425)
	(159,117)
	(228,030)
	(138,015)
	<hr/>
	11,611,794
	<hr/>
	2,867,449
	28,885
	318,096
	4,517,788
	179,326
	(199,497)
	32,197
	<hr/>
	7,744,244
	<hr/>
	19,356,038
	3,552,123
	<hr/>
\$	22,908,161
	<hr/>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 795,130	\$ 301,702	\$ 1,346,429	\$ 354,680	\$ 2,797,941
Investments . . . . .	-	7,769,416	6,389,976	1,382,257	15,541,649
Receivables:					
Taxes. . . . .	2,040,083	464,130	-	42,378	2,546,591
Accounts . . . . .	7,434	-	-	1,848	9,282
Intergovernmental . . . . .	3,591	-	17,667,777	54,735	17,726,103
Accrued interest . . . . .	11,030	-	93,380	20,327	124,737
Interfund receivable . . . . .	6,980	-	-	-	6,980
Prepayments . . . . .	47,335	-	-	-	47,335
Materials and supplies inventory . . . . .	27,436	-	-	9,992	37,428
Total assets . . . . .	<u>\$ 2,939,019</u>	<u>\$ 8,535,248</u>	<u>\$ 25,497,562</u>	<u>\$ 1,866,217</u>	<u>\$ 38,838,046</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 37,618	\$ -	\$ -	\$ 23	\$ 37,641
Contracts payable . . . . .	-	-	54,572	-	54,572
Accrued wages and benefits . . . . .	773,530	-	-	60,746	834,276
Special termination benefits payable	-	-	-	21,392	21,392
Pension obligation payable. . . . .	104,792	-	-	7,188	111,980
Intergovernmental payable. . . . .	34,246	-	-	2,009	36,255
Interfund payable. . . . .	-	-	-	6,980	6,980
Deferred revenue. . . . .	1,449,458	399,055	17,680,053	39,451	19,568,017
Total liabilities . . . . .	<u>2,399,644</u>	<u>399,055</u>	<u>17,734,625</u>	<u>137,789</u>	<u>20,671,113</u>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	162,854	-	2,337,833	66,548	2,567,235
Reserved for materials and supplies inventory. . . . .	27,436	-	-	9,992	37,428
Reserved for prepayments . . . . .	47,335	-	-	-	47,335
Reserved for property tax unavailable for appropriation . . . . .	253,463	65,075	-	5,921	324,459
Reserved for perpetual care. . . . .	-	-	-	10,000	10,000
Reserved for debt service. . . . .	-	8,071,118	-	-	8,071,118
Unreserved:					
Designated for termination benefits . . . . .	-	-	-	201,153	201,153
Undesignated, reported in:					
General fund . . . . .	48,287	-	-	-	48,287
Special revenue funds. . . . .	-	-	-	91,785	91,785
Capital projects funds. . . . .	-	-	5,425,104	1,342,596	6,767,700
Permanent fund. . . . .	-	-	-	433	433
Total fund balances. . . . .	<u>539,375</u>	<u>8,136,193</u>	<u>7,762,937</u>	<u>1,728,428</u>	<u>18,166,933</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,939,019</u>	<u>\$ 8,535,248</u>	<u>\$ 25,497,562</u>	<u>\$ 1,866,217</u>	<u>\$ 38,838,046</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$ 18,166,933
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,530,385
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 38,013	
Intergovernmental revenue	17,668,097	
Accounts receivable	3,069	
Accrued interest	19,677	
Total		17,728,856
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	541,426	
Pension obligation payable	71,704	
Bond anticipation note payable	7,872,000	
General obligation bonds payable	7,869,994	
Capital lease payable	28,728	
Accrued interest payable	134,161	
Total		(16,518,013)
<b>Net assets of governmental activities</b>		<b>\$ 22,908,161</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 2,863,159	\$ 310,110	\$ -	\$ 28,157	\$ 3,201,426
Tuition. . . . .	457,465	-	-	-	457,465
Charges for services. . . . .	-	-	-	257,991	257,991
Transportation fees. . . . .	1,671	-	-	-	1,671
Classroom materials and fees. . . . .	44,919	-	-	-	44,919
Earnings on investments. . . . .	15,581	767	90,720	20,268	127,336
Decrease in fair market value of investments	-	(99,730)	(82,024)	(17,743)	(199,497)
Extracurricular. . . . .	-	-	-	195,442	195,442
Other local revenues. . . . .	95,900	-	-	16,392	112,292
Intergovernmental - State. . . . .	4,484,260	29,096	1,747,363	76,562	6,337,281
Intergovernmental - Federal . . . . .	1,792	-	-	350,803	352,595
Total revenue . . . . .	<u>7,964,747</u>	<u>240,243</u>	<u>1,756,059</u>	<u>927,872</u>	<u>10,888,921</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	3,414,282	-	-	79,910	3,494,192
Special. . . . .	597,724	-	-	232,778	830,502
Vocational. . . . .	84,789	-	-	-	84,789
Adult education. . . . .	969	-	-	-	969
Other. . . . .	446,280	-	-	-	446,280
Support services:					
Pupil. . . . .	407,041	-	-	46,124	453,165
Instructional staff . . . . .	351,749	-	-	37,457	389,206
Board of education . . . . .	86,425	-	-	-	86,425
Administration. . . . .	837,849	-	-	300	838,149
Fiscal . . . . .	252,304	6,357	-	576	259,237
Business . . . . .	43,098	-	-	12,000	55,098
Operations and maintenance. . . . .	714,574	-	-	-	714,574
Pupil transportation . . . . .	450,693	-	-	4,744	455,437
Central. . . . .	53,046	-	-	5,089	58,135
Food service operations . . . . .	-	-	-	33,180	33,180
Other non-instructional services. . . . .	-	-	-	284,736	284,736
Extracurricular activities. . . . .	265,331	-	-	219,707	485,038
Facilities acquisition and construction . . . .	113,477	-	465,122	-	578,599
Debt service:					
Principal retirement . . . . .	27,397	-	-	-	27,397
Interest and fiscal charges . . . . .	3,854	-	-	-	3,854
Total expenditures . . . . .	<u>8,150,882</u>	<u>6,357</u>	<u>465,122</u>	<u>956,601</u>	<u>9,578,962</u>
Excess of revenues over (under) expenditures . . . . .	<u>(186,135)</u>	<u>233,886</u>	<u>1,290,937</u>	<u>(28,729)</u>	<u>1,309,959</u>
<b>Other financing sources (uses):</b>					
Premium/accrued interest on sale of bonds .	-	32,313	-	-	32,313
Proceeds of bonds . . . . .	-	7,869,994	-	-	7,869,994
Proceeds of notes . . . . .	-	-	6,472,000	1,400,000	7,872,000
Transfers in. . . . .	-	-	-	72,500	72,500
Transfers (out) . . . . .	(72,500)	-	-	-	(72,500)
Proceeds from sale of capital assets. . . . .	5,329	-	-	-	5,329
Total other financing sources (uses) . . . . .	<u>(67,171)</u>	<u>7,902,307</u>	<u>6,472,000</u>	<u>1,472,500</u>	<u>15,779,636</u>
Net change in fund balances . . . . .	(253,306)	8,136,193	7,762,937	1,443,771	17,089,595
<b>Fund balances at beginning of year (restated, see note 3) . . . . .</b>	<u>792,681</u>	<u>-</u>	<u>-</u>	<u>284,657</u>	<u>1,077,338</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 539,375</u>	<u>\$ 8,136,193</u>	<u>\$ 7,762,937</u>	<u>\$ 1,728,428</u>	<u>\$ 18,166,933</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	17,089,595
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$639,275) exceed depreciation expense (\$162,313) in the current period.		476,962
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		17,698,061
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		27,397
Proceeds of notes and bonds are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(15,741,994)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and notes.		(134,161)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(59,822)
		(59,822)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>19,356,038</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,833,913	\$ 2,829,200	\$ 2,728,234	\$ (100,966)
Tuition . . . . .	524,062	523,190	459,333	(63,857)
Transportation fees. . . . .	-	-	1,671	1,671
Earnings on investments. . . . .	52,587	52,500	33,159	(19,341)
Classroom materials and fees . . . . .	46,227	46,150	44,827	(1,323)
Other local revenues . . . . .	93,575	93,420	62,958	(30,462)
Intergovernmental - State . . . . .	4,463,490	4,456,066	4,484,260	28,194
Intergovernmental - Federal. . . . .	-	-	1,792	1,792
Total revenue . . . . .	<u>8,013,854</u>	<u>8,000,526</u>	<u>7,816,234</u>	<u>(184,292)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,476,067	3,577,574	3,554,166	23,408
Special. . . . .	598,706	616,211	607,734	8,477
Vocational. . . . .	83,620	86,065	84,272	1,793
Adult/continuing. . . . .	1,185	1,220	975	245
Other. . . . .	434,745	446,530	445,930	600
Support services:				
Pupil. . . . .	341,553	351,539	332,880	18,659
Instructional staff . . . . .	410,718	402,562	372,747	29,815
Board of education . . . . .	110,430	97,870	88,984	8,886
Administration. . . . .	820,316	838,739	825,865	12,874
Fiscal . . . . .	256,783	257,263	250,824	6,439
Business . . . . .	51,820	52,493	45,009	7,484
Operations and maintenance. . . . .	740,111	754,272	729,717	24,555
Pupil transportation . . . . .	450,047	463,052	448,690	14,362
Central. . . . .	49,163	50,600	50,258	342
Extracurricular activities. . . . .	262,763	270,245	267,356	2,889
Facilities acquisition and construction. . . . .	271,371	279,305	269,635	9,670
Total expenditures . . . . .	<u>8,359,398</u>	<u>8,545,540</u>	<u>8,375,042</u>	<u>170,498</u>
Excess of revenues under expenditures. . . . .	<u>(345,544)</u>	<u>(545,014)</u>	<u>(558,808)</u>	<u>(13,794)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	34,057	34,000	28,343	(5,657)
Transfers (out) . . . . .	(70,440)	(72,500)	(72,500)	-
Advances (out) . . . . .	(6,782)	(6,980)	(6,980)	-
Proceeds from sale of capital assets. . . . .	601	600	5,329	4,729
Total other financing sources (uses) . . . . .	<u>(42,564)</u>	<u>(44,880)</u>	<u>(45,808)</u>	<u>(928)</u>
Net change in fund balance . . . . .	(388,108)	(589,894)	(604,616)	(14,722)
<b>Fund balance at beginning of year. . . . .</b>	<b>1,160,356</b>	<b>1,160,356</b>	<b>1,160,356</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>56,620</b>	<b>56,620</b>	<b>56,620</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 828,868</u></b>	<b><u>\$ 627,082</u></b>	<b><u>\$ 612,360</u></b>	<b><u>\$ (14,722)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 10,753	\$ 68,616
Receivables:		
Accrued interest . . . . .	60	-
Total assets. . . . .	10,813	\$ 68,616
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 68,616
Total liabilities . . . . .	-	\$ 68,616
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	10,813	
Total net assets . . . . .	\$ 10,813	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 260
Total additions. . . . .	260
<b>Deductions:</b>	
Scholarships awarded . . . . .	609
Change in net assets . . . . .	(349)
Net assets at beginning of year. . . . .	11,162
Net assets at end of year . . . . .	\$ 10,813

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred twenty-five square miles. It is located in Wyandot, Seneca, and Crawford Counties. The District is the 471<sup>st</sup> largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 54 classified employees, 79 certified teaching personnel, and 6 administrative employees who provide services to 1,097 students and other community members. The District currently operates two elementary schools, an elementary/junior high school, a high school, and an administration building.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". 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 service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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 this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(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 Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

Northwestern Ohio Educational Research Council, Inc.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(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 districts is limited to its representation on the Board. Financial information can be obtained from David Southward, Knox County Educational Service Center, 110 East High Street, Mount Vernon, Ohio 43050.

*INSURANCE PURCHASING POOLS*

Ohio School Plan

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

Ohio School Boards Association Workers' Compensation Group Rating Program

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

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

North Central Ohio Joint Insurance Association

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

*RELATED ORGANIZATION*

Mohawk Community Library

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

*PROPRIETARY FUND*

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

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

**D. Basis of Accounting**

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 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 final budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of control was established at the fund level of expenditures, the District has elected to present the budgetary comparisons at the fund and function level 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004.
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. 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 2004, investments were limited to federal agency securities, certificates of deposit, and a money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required or authorized by board resolution to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$15,581, which includes \$4,154 assigned from other funds.

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

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

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

**H. Capital Assets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$1,000 to \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all administrative employees with at least five years of service with the District and all other employees with ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, debt service and perpetual care. A designation of fund balance has been established for termination benefits. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Net Assets**

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

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

**N. Prepayments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the assets. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. The District has no restricted assets.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

For 2004, the District changed the capitalization threshold for capital assets from \$1,000 to \$5,000. The effect on this change was to reduce general fixed assets as previously reported by \$1,437,480. (These assets are referred to as general capital assets in the current year).

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 784,783	\$ 301,531	\$ 1,086,314
Fund reclassifications	-	4,686	4,686
Implementation of GASB Interpretation No. 6	<u>7,898</u>	<u>(21,560)</u>	<u>(13,662)</u>
Restated fund balance, June 30, 2003	<u>\$ 792,681</u>	<u>\$ 284,657</u>	<u>\$ 1,077,338</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Adjusted fund balance, June 30, 2003	\$ 1,077,338
GASB 34 adjustments:	
Long-term (deferred) assets	30,795
Capital assets	3,053,423
Pension obligations	(80,811)
Long-term liabilities	(528,622)
Governmental activities net assets, June 30, 2003	\$ 3,552,123

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 10,575
Management Information Systems	104
Ohio Reads	39
Summer Intervention	316
IDEA	9
Improving Teacher Quality	3,404

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

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Statutes require the classification of monies held by the District into three categories.

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

Inactive deposits are public deposits 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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury 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 2% 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days, from the date of purchase, in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

*Cash on hand:* At fiscal year-end, the District had \$1,100 in undeposited cash on hand which is included on the statement of net assets and the balance sheet of the District as part of “Equity in Pooled Cash and Investments”.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements”.

*Deposits:* At year-end, the carrying amount of the District’s deposits was \$2,839,889 and the bank balance was \$2,879,770. Of the bank balance:

1. \$101,050 was covered by federal depository insurance deposited with the District; and
2. \$2,778,720 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District’s investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District’s name. Investments in U.S. Government money market funds are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category <u>3</u>	Reported <u>Amount</u>	Fair <u>Value</u>
Federal agency securities	15,541,649	15,541,649	15,541,649
U.S. Government money market fund		<u>36,321</u>	<u>36,321</u>
Total investments		<u>\$ 15,577,970</u>	<u>\$ 15,577,970</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,877,310	\$ 15,541,649
Investments of the cash management pool:		
Money market mutual fund	(36,321)	36,321
Cash on hand	(1,100)	-
GASB Statement No. 3	\$ 2,839,889	\$ 15,577,970

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 6,980

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 72,500

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Wyandot, Seneca and Crawford Counties. The County Auditor periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and their real estate	\$ 81,001,860	91.39	\$ 82,803,470	90.65
Public utility personal	4,618,220	5.21	4,725,820	5.18
Tangible personal property	<u>3,011,913</u>	<u>3.40</u>	<u>3,809,723</u>	<u>4.17</u>
Total	<u>\$ 88,631,993</u>	<u>100.00</u>	<u>\$ 91,339,013</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 36.90		\$ 44.49	

**NOTE 7 - INCOME TAXES**

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

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 2,546,591
Accounts	9,282
Intergovernmental	17,726,103
Accrued interest	<u>124,737</u>
Total	<u>\$ 20,406,713</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 9 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (See Note 2.H. for detail) and to the depreciation of capital assets in accordance with GASB Statement No. 34.

	Balance <u>6/30/03</u>	<u>Adjustments</u>	Restated Balance <u>06/30/03</u>
<b>Governmental Activities</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 67,581	\$ -	\$ 67,581
Total capital assets, not being depreciated	<u>67,581</u>	<u>-</u>	<u>67,581</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	408,480	(43,895)	364,585
Buildings and improvement	4,072,781	(84,734)	3,988,047
Furniture and equipment	1,504,800	(1,217,283)	287,517
Vehicles	969,745	(1,460)	968,285
Total capital assets, being depreciated	<u>6,955,806</u>	<u>(1,347,372)</u>	<u>5,608,434</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(2,622,592)</u>	<u>(2,622,592)</u>
Governmental activities capital assets, net	<u>\$ 7,023,387</u>	<u>\$ (3,969,964)</u>	<u>\$ 3,053,423</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 9 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 67,581	\$ 72,365	\$ -	\$ 139,946
Construction in progress	<u>-</u>	<u>450,218</u>	<u>-</u>	<u>450,218</u>
Total capital assets, not being depreciated	<u>67,581</u>	<u>522,583</u>	<u>-</u>	<u>590,164</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	364,585	-	-	364,585
Buildings and improvements	3,988,047	-	-	3,988,047
Furniture and equipment	287,517	34,477	(6,335)	315,659
Vehicles	<u>968,285</u>	<u>82,215</u>	<u>(44,865)</u>	<u>1,005,635</u>
Total capital assets, being depreciated	<u>5,608,434</u>	<u>116,692</u>	<u>(51,200)</u>	<u>5,673,926</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(70,623)	(16,394)	-	(87,017)
Buildings and improvements	(1,661,846)	(85,861)	-	(1,747,707)
Furniture and equipment	(174,661)	(17,585)	6,335	(185,911)
Vehicles	<u>(715,462)</u>	<u>(42,473)</u>	<u>44,865</u>	<u>(713,070)</u>
Total accumulated depreciation	<u>(2,622,592)</u>	<u>(162,313)</u>	<u>51,200</u>	<u>(2,733,705)</u>
Governmental activities capital assets, net	<u>\$ 3,053,423</u>	<u>\$ 476,962</u>	<u>\$ -</u>	<u>\$ 3,530,385</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular \$ 87,744

Support Services:

Pupil 1,470  
Administration 3,552  
Business 519  
Operations and maintenance 24,783  
Pupil transportation 38,395  
Extracurricular activities 4,292  
Food service operations 1,558

Total depreciation expense \$ 162,313

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets in the amount of \$82,254 consist of equipment. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$27,397 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	<u>\$ 29,462</u>
Total minimum lease payments	29,462
Less amount representing interest	<u>(734)</u>
Total	<u>\$ 28,728</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased from \$446,583 to \$472,497 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$66,245 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$40,331 from \$590,513 to \$550,182. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 11 - LONG-TERM OBLIGATIONS (Continued)**

	Interest Rate	Restated Balance 06/30/03	Additions	Reductions	Balance 06/30/04	Amount Due in One Year
<b>Governmental Activities:</b>						
<u>General Obligation Bonds:</u>						
School improvement bonds	2-4.75%	\$ -	\$ 7,795,000	\$ -	\$ 7,795,000	\$ 200,000
Capital appreciation bonds	12.88%	-	74,994	-	74,994	-
Total general obligation bonds payable		<u>\$ -</u>	<u>\$ 7,869,994</u>	<u>\$ -</u>	<u>\$ 7,869,994</u>	<u>\$ 200,000</u>
<u>Other Long-Term Obligations</u>						
Capital lease obligation		56,125	-	(27,397)	28,728	28,728
Special termination benefits		21,560	21,392	(21,560)	21,392	21,392
Compensated absences		472,497	187,578	(118,649)	541,426	134,010
Total other long-term obligations		<u>\$ 550,182</u>	<u>\$ 208,970</u>	<u>\$ (167,606)</u>	<u>\$ 591,546</u>	<u>\$ 184,130</u>
Total governmental activities		<u>\$ 550,182</u>	<u>\$ 8,078,964</u>	<u>\$ (167,606)</u>	<u>\$ 8,461,540</u>	<u>\$ 384,130</u>

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2004, the total estimated cost of the Construction Project is \$25,887,140, of which OSFC will pay \$19,415,140.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

This issue is comprised of both current interest bonds, par value \$7,795,000, and capital appreciation bonds, par value \$74,994. The interest rates on the current interest bonds range from 2.00% to 4.75%. The capital appreciation bonds mature on December 1, 2022 (effective interest 12.880%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported in the Statement of Net Assets at June 30, 2004, was \$74,994.

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
2005	\$ 200,000	\$ 207,558	\$ 407,558	\$ -	\$ -	\$ -
2006	200,000	307,338	507,338	-	-	-
2007	200,000	303,338	503,338	-	-	-
2008	205,000	299,338	504,338	-	-	-
2009	210,000	295,033	505,033	-	-	-
2010 - 2014	1,155,000	1,381,755	2,536,755	-	-	-
2015 - 2019	1,370,000	1,163,505	2,533,505	-	-	-
2020 - 2024	960,000	557,605	1,517,605	670,000	-	670,000
2025 - 2029	1,910,000	609,902	2,519,902	-	-	-
2030 - 2032	1,385,000	133,714	1,518,714	-	-	-
Total	<u>\$ 7,795,000</u>	<u>\$ 5,259,086</u>	<u>\$ 13,054,086</u>	<u>\$ 670,000</u>	<u>\$ -</u>	<u>\$ 670,000</u>

**D. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$8,220,511 and an unvoted debt margin of \$91,339.

**NOTE 12 – NOTES PAYABLE**

The School District's notes payable activity for the fiscal year ended June 30, 2004 was as follows:

	Rate	Balance at 6/30/2003	Additions	Reductions	Balance at 6/30/2004
Governmental Activities	1.97%	-	\$ 7,872,000	-	\$ 7,872,000

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**C. Special Termination Benefits**

The special termination benefit was available in fiscal year 2004 for certified employees. The employee had to provide written notice of the employee's intent to retire, to the Treasurer, by April 1<sup>st</sup> and had to retire at the conclusion of the fiscal year. The special termination benefit will be paid by the end of January of the following fiscal year. Failure to retire immediately following the fiscal year in which the employee first became eligible shall make the employee ineligible to receive the benefit during any subsequent year. This termination benefit is in addition to any severance pay to which the employee may be eligible. Special termination benefits are paid according to the following schedule:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District contracted for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Insurance provided by the Hartford Insurance Company	
Building and Contents - replacement cost (\$1,500 deductible)	\$20,891,000
Insurance provided by Ohio School Plan	
Automotive Liability	1,000,000
Uninsured motorists	250,000
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

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2004, 9.09% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$97,873, \$83,777, and \$53,600, respectively; 16.04% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$83,016, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$491,768, \$459,351, \$322,962, respectively; 82.86% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$84,308, represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$37,828 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$77,917 during the 2004 fiscal year.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (604,616)
Net adjustment for revenue accruals	148,513
Net adjustment for expenditure accruals	41,390
Net adjustment for other sources/uses	(21,363)
Adjustment for encumbrances	<u>182,770</u>
GAAP basis	<u>\$ (253,306)</u>

**NOTE 18 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 19 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ (42,384)	\$ -
Current year set-aside requirement	154,707	154,707
Current year offsets	-	-
Qualifying disbursements	<u>(211,099)</u>	<u>(159,240)</u>
Total	<u>\$ (98,776)</u>	<u>\$ (4,533)</u>
Cash balance carried forward to FY 2005	<u>\$ (98,776)</u>	<u>\$ -</u>

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

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





**Auditor of State  
Betty Montgomery**

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

Mohawk Local School District  
Wyandot County  
295 State 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 the Mohawk Local School District, Wyandot County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 7, 2005, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34 and increased its capitalization threshold for fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-001.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted certain other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated March 7, 2005.

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

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

**Betty Montgomery**  
Auditor of State

March 7, 2005

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2004**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	2004-001
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**Investment Transactions**

Mohawk Local School District invested approximately \$7.8 million of bond issuance proceeds through Butler Wick. There was no written documentation that District management authorized the investment transactions made by Butler Wick through the Bank of New York, nor are we able to determine if these investments are in the name of Mohawk Local School District. There is a concern that the District is not in control of its investment property.

We recommend that District management discuss the investing arrangements with its legal counsel to determine if they are consistent with the requirements of Ohio law. We also recommend that Mohawk Local School District document the authorization of investment transactions prior to their execution.





**Auditor of State  
Betty Montgomery**

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**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 4, 2005**