



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio, as of June 30, 2006, and the respective changes in cash financial position and the budgetary comparison for the General fund for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the year ended June 30, 2006, the District changed its accounting basis from accounting principles generally accepted in the United States of America to the cash accounting basis. The District has revised its financial presentation comparable to the requirements of Governmental Accounting Standard No.34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

December 8, 2006

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
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 year ended June 30, 2006, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net cash assets of the District decreased \$11,568,563 or 62.27% from fiscal year 2005.
- General cash receipts accounted for \$8,748,737 or 59.46% of total governmental activities cash receipts. Program specific cash receipts accounted for \$5,964,293 or 40.54% of total governmental activities cash receipts.
- The District had \$26,281,593 in cash disbursements related to governmental activities; \$5,964,293 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$8,748,737 were not adequate to provide for these programs.
- The District's major funds are the general fund and classroom facilities fund. The general fund, the District's largest major fund, had cash receipts of \$8,269,696 in 2006. The cash disbursements of the general fund, totaled \$8,507,656 in 2006. The general fund's cash balance decreased \$237,960 from 2005 to 2006.
- The classroom facilities fund, a District major fund, had cash receipts of \$4,681,849 in 2006. The classroom facilities fund had cash disbursements of \$15,391,928 in 2006. The classroom facilities fund cash balance decreased \$10,710,079 from 2005 to 2006.

Using this Basic Financial Statements (BFS)

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

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there are two major governmental funds. The general fund is the largest major fund.

Reporting the District as a Whole

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

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer the question, "How did we do financially during 2006?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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 and Classroom Facilities Fund. The analysis of the District's major governmental funds begins on page 10.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-18 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 19 of this report.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
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Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the District's fiduciary activities are reported in separate statements of Fiduciary Net Assets – Cash Basis and Changes in Fiduciary Net Cash Assets. These two statements can be found on pages 20 and 21 of this report, respectively.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-43 of this report.

Government-Wide Financial Analysis

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

The table below provides a summary of the District's net cash assets for 2006 and 2005. The amounts for 2005 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2006 financial statements.

	Net Cash Assets	
	Governmental Activities <u>2006</u>	Restated Governmental Activities <u>2005</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 7,008,301	\$ 18,576,864
Total assets	<u>7,008,301</u>	<u>18,576,864</u>
<u>Net Cash Assets</u>		
Restricted	6,981,395	18,297,156
Unrestricted	<u>26,906</u>	<u>279,708</u>
Total net cash assets	<u>\$ 7,008,301</u>	<u>\$ 18,576,864</u>

The total net cash assets of the District decreased \$11,568,563, which represents a 62.27% decrease from fiscal year 2005.

The balance of government-wide unrestricted net cash assets of \$26,906 may be used to meet the government's ongoing obligations to citizens and creditors.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The table below shows the changes in net cash assets for fiscal year 2006 and 2005. The amounts for 2005 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2006 financial statements.

	Change in Net Cash Assets	
	Governmental Activities <u>2006</u>	Restated Governmental Activities <u>2005</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,110,053	\$ 953,677
Operating grants and contributions	512,904	506,627
Capital grants and contributions	<u>4,341,336</u>	<u>-</u>
Total program cash receipts	<u>5,964,293</u>	<u>1,460,304</u>
General cash receipts:		
Property and other taxes	3,410,789	3,309,603
Unrestricted grants:		
Operating	4,772,641	4,659,605
Capital	-	11,666,453
Investment earnings	389,740	278,353
Other	<u>175,567</u>	<u>54,062</u>
Total general cash receipts	<u>8,748,737</u>	<u>19,968,076</u>
Total cash receipts	<u>\$ 14,713,030</u>	<u>\$ 21,428,380</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

	Change in Net Cash Assets	
	Governmental Activities 2006	Restated Governmental Activities 2005
Cash Disbursements:		
Instruction:		
Regular	\$ 4,198,559	\$ 3,639,531
Special	1,036,050	942,158
Vocational	78,068	102,005
Adult	594	953
Other	13,466	563,643
Support services:		
Pupil	393,024	387,514
Instructional staff	367,685	424,657
Board of education	31,283	49,429
Administration	943,937	949,440
Fiscal	280,118	271,141
Business	46,656	44,318
Operations and maintenance	638,122	654,915
Pupil transportation	520,652	509,906
Central	59,228	58,072
Operation of non instructional services	1,079	3,624
Food service operations	349,090	345,953
Extracurricular	527,380	452,935
Facilities acquisition and construction	16,261,263	3,479,183
Debt service:		
Principal retirement	230,001	8,072,000
Interest and fiscal charges	305,338	439,197
Total cash disbursements	<u>26,281,593</u>	<u>21,390,574</u>
Change in net cash assets	(11,568,563)	37,806
Net cash assets at beginning of year	<u>18,576,864</u>	<u>18,539,058</u>
Net cash assets at end of year	<u>\$ 7,008,301</u>	<u>\$ 18,576,864</u>

Governmental Activities

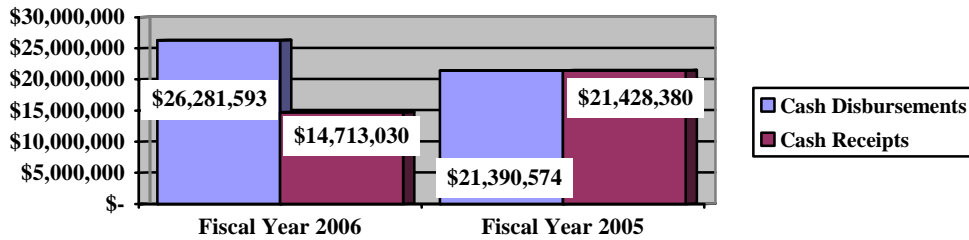
Governmental cash assets decreased by \$11,568,563 in 2006 from 2005. Total governmental disbursements of \$26,281,593 were offset by program receipts of \$5,964,293 and general receipts of \$8,748,737. Program receipts supported 22.69% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, and grants and entitlements. These receipt sources represent 55.62% of total governmental receipts.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these 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. The amounts for 2005 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2006 financial statements.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

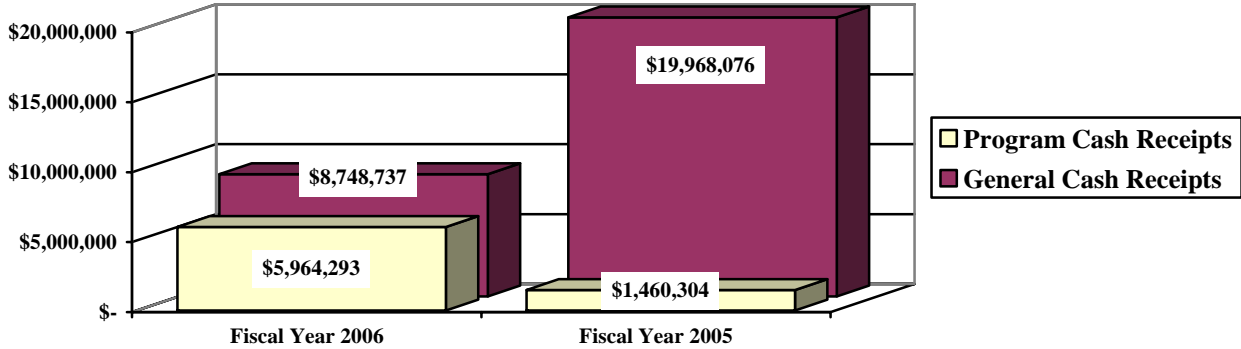
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Restated Total Cost of Services	Restated Net Cost of Services
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
Cash disbursements:				
Instruction:				
Regular	\$ 4,198,559	\$ 3,535,890	\$ 3,639,531	\$ 3,038,622
Special	1,036,050	759,840	942,158	683,258
Vocational	78,068	78,068	102,005	102,005
Adult	594	594	953	953
Other	13,466	13,466	563,643	563,643
Support services:				
Pupil	393,024	323,333	387,514	325,496
Instructional staff	367,685	344,197	424,657	391,399
Board of education	31,283	10,057	49,429	45,178
Administration	943,937	943,695	949,440	949,118
Fiscal	280,118	280,118	271,141	271,141
Business	46,656	34,656	44,318	32,318
Operations and maintenance	638,122	633,985	654,915	650,729
Pupil transportation	520,652	513,922	509,906	502,568
Central	59,228	54,228	58,072	53,072
Operation of non instructional services	1,079	-	3,624	1,291
Food service operations	349,090	(11,950)	345,953	12,851
Extracurricular	527,380	336,927	452,935	316,248
Facilities acquisition and construction	16,261,263	11,930,935	3,479,183	3,479,183
Debt service:				
Principal retirement	230,001	230,001	8,072,000	8,072,000
Interest and fiscal charges	305,338	305,338	439,197	439,197
Total	<u>\$ 26,281,593</u>	<u>\$ 20,317,300</u>	<u>\$ 21,390,574</u>	<u>\$19,930,270</u>

The dependence upon general cash receipts for governmental activities is apparent; with 77.31% of cash disbursements supported through taxes and other general cash receipts during 2006.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The District's governmental funds reported a combined fund cash balance of \$7,008,301, which is \$11,568,563 below last year's total of \$18,576,864. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2006 and June 30, 2005, for all major and nonmajor governmental funds. The amounts for 2005 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2006 financial statements.

	Fund Cash Balance <u>June 30, 2006</u>	Restated Fund Cash Balance <u>June 30, 2005</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$ 26,906	\$ 264,866	\$ (237,960)
Classroom Facilities	5,773,981	16,484,060	(10,710,079)
Other Nonmajor Governmental Funds	<u>1,207,414</u>	<u>1,827,938</u>	<u>(620,524)</u>
Total	<u>\$ 7,008,301</u>	<u>\$ 18,576,864</u>	<u>\$ (11,568,563)</u>

General Fund

The general fund, the District's largest major fund, had cash receipts of \$8,269,696 in 2006. The cash disbursements of the general fund, totaled \$8,507,656 in 2006. The general fund's cash balance decreased \$237,960 from 2005 to 2006.

The table that follows assists in illustrating the cash receipts of the general fund. The amounts for 2005 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2006 financial statements.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

	<u>2006 Amount</u>	<u>Restated 2005 Amount</u>	<u>Percentage Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 2,870,719	\$ 2,817,516	1.89 %
Tuition	530,592	469,931	12.91 %
Earnings on investments	29,093	22,277	30.60 %
Other revenues	129,773	121,300	6.99 %
Intergovernmental	<u>4,709,519</u>	<u>4,597,963</u>	2.43 %
Total	<u>\$ 8,269,696</u>	<u>\$ 8,028,987</u>	3.00 %

Investment income cash receipts increased due to higher interest earning investments. Tuition cash receipts increased \$60,661 or 12.91% due to the number of out of district students. All other revenue remained comparable to 2005.

The table that follows assists in illustrating the expenditures of the general fund. The amounts for 2005 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2006 financial statements.

	<u>2006 Amount</u>	<u>Restated 2005 Amount</u>	<u>Percentage Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 5,005,779	\$ 4,909,486	1.96 %
Support services	3,133,605	3,179,648	(1.45) %
Extracurricular	318,957	275,251	15.88 %
Facilities acquisition and construction	<u>49,315</u>	<u>176,846</u>	(72.11) %
Total	<u>\$ 8,507,656</u>	<u>\$ 8,541,231</u>	(0.39) %

Cash disbursements remained comparable to 2005. Overall, cash disbursements decreased \$33,575 from 2005.

Classroom Facilities Fund

The classroom facilities fund, a District major fund, had cash receipts of \$4,681,849 in 2006. The classroom facilities fund had cash disbursements of \$15,391,928 in 2006. The classroom facilities fund cash balance decreased \$10,710,079 from 2005 to 2006.

Budgeting Highlights - General Fund

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

For the general fund, final budgeted receipts and other financing sources remained the same as original budget estimates. Actual cash receipts and other financing sources of \$8,269,696 were less than final budget estimates by \$132,942. The final budgetary basis disbursements of \$8,533,472 were \$83,500 below original budget estimates. The actual budgetary basis disbursements of \$8,522,955 were \$10,517 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$16,261,263 during fiscal year 2006.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2006 and 2005:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
General obligation bonds	\$ 7,491,603	\$ 7,680,579
Total long-term obligations	<u>\$ 7,491,603</u>	<u>\$ 7,680,579</u>

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The District has carefully managed its General Fund budgets in order to optimize the dollars available for educating the students it serves. The District prides itself in the fact that no new operating levies have been placed on the ballot since 1995, when the community passed a 1% income tax. This income tax issue has been successfully renewed twice since its passage and generates approximately \$1,000,000. The only new dollars requested have been for construction of a new PreK-12 school building through the Ohio 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 (\$1,095,330) and an all-weather track (\$304,670.) The cost of the track was \$414,670 with the local Athletic Boosters donating \$110,000 of the total.

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The passage of House Bill 66, which governs the State's biennium budget, afforded no financial relief to the District. The District's current decline in student enrollment and increased property values will result in the District becoming a guarantee district, receiving no more basic State funding in fiscal year 2006 and 2007 than it received in 2005. It is anticipated that the District will have a cash deficit by the end of fiscal year 2007. To avoid a cash deficit, the District will go to the ballot on May 8, 2007 to ask voters for an additional .50% income tax.

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

Contacting the District's Financial Management

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

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 7,008,301
 Total assets.	 7,008,301
 Net Cash Assets:	
Restricted for:	
Capital projects	6,447,043
Perpetual care:	
Expendable	28
Nonexpendable	10,101
Debt service	174,675
Classroom facilities maintenance.	117,581
State funded programs.	657
Student activities.	39,101
Public school support	30,603
Other purposes	161,606
Unrestricted	26,906
 Total net cash assets	 \$ 7,008,301

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,198,559	\$ 618,418	\$ 33,243	\$ 11,008	\$ (3,535,890)
Special	1,036,050	-	276,210	-	(759,840)
Vocational	78,068	-	-	-	(78,068)
Adult	594	-	-	-	(594)
Other	13,466	-	-	-	(13,466)
Support services:					
Pupil	393,024	-	69,691	-	(323,333)
Instructional staff	367,685	-	23,488	-	(344,197)
Board of education	31,283	21,226	-	-	(10,057)
Administration	943,937	-	242	-	(943,695)
Fiscal	280,118	-	-	-	(280,118)
Business	46,656	-	12,000	-	(34,656)
Operations and maintenance	638,122	2,600	1,537	-	(633,985)
Pupil transportation	520,652	-	6,730	-	(513,922)
Central	59,228	-	5,000	-	(54,228)
Operation of non-instructional services					
	1,079	-	1,079	-	-
Food service operations	349,090	277,356	83,684	-	11,950
Extracurricular	527,380	190,453	-	-	(336,927)
Facilities acquisition and construction	16,261,263	-	-	4,330,328	(11,930,935)
Debt service:					
Principal retirement	230,001	-	-	-	(230,001)
Interest and fiscal charges	305,338	-	-	-	(305,338)
Totals	\$ 26,281,593	\$ 1,110,053	\$ 512,904	\$ 4,341,336	(20,317,300)

General Cash Receipts:

Taxes levied for:	
General purposes	2,870,719
Debt Service	499,003
Special revenue	41,067
Grants and entitlements not restricted to specific programs.	4,772,641
Investment receipts	389,740
Miscellaneous	175,567
Total general cash receipts.	8,748,737
Change in net cash assets	(11,568,563)
Net cash assets at beginning of year (restated).	18,576,864
Net cash assets at end of year	\$ 7,008,301

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 26,906	\$ 5,773,981	\$ 1,207,414	\$ 7,008,301
Total assets	<u>\$ 26,906</u>	<u>\$ 5,773,981</u>	<u>\$ 1,207,414</u>	<u>\$ 7,008,301</u>
Fund Cash Balances:				
Reserved for encumbrances.	\$ 15,299	\$ 5,590,105	\$ 527,906	\$ 6,133,310
Reserved for debt service	-	-	174,675	174,675
Unreserved, undesignated, reported in:				
General fund.	11,607	-	-	11,607
Special revenue funds	-	-	349,528	349,528
Capital projects funds	-	183,876	145,176	329,052
Permanent funds	-	-	10,129	10,129
Total fund cash balances	<u>\$ 26,906</u>	<u>\$ 5,773,981</u>	<u>\$ 1,207,414</u>	<u>\$ 7,008,301</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Taxes	\$ 2,870,719	\$ -	\$ 540,070	\$ 3,410,789
Tuition	530,592	-	-	530,592
Earnings on investments	29,093	319,899	40,748	389,740
Charges for services	-	-	277,356	277,356
Extracurricular	-	-	190,453	190,453
Classroom materials and fees	42,000	-	-	42,000
Other local revenues	87,773	31,622	125,824	245,219
Intergovernmental - intermediate	400	-	2,952	3,352
Intergovernmental - state	4,709,119	4,330,328	105,086	9,144,533
Intergovernmental - federal	-	-	478,996	478,996
Total cash receipts	<u>8,269,696</u>	<u>4,681,849</u>	<u>1,761,485</u>	<u>14,713,030</u>
Cash disbursements:				
Instruction:				
Regular	4,153,811	-	44,748	4,198,559
Special	759,840	-	276,210	1,036,050
Vocational	78,068	-	-	78,068
Adult	594	-	-	594
Other	13,466	-	-	13,466
Support services:				
Pupil	323,333	-	69,691	393,024
Instructional staff	342,682	-	25,003	367,685
Board of education	31,283	-	-	31,283
Administration	930,020	-	13,917	943,937
Fiscal	266,910	-	13,208	280,118
Business	34,656	-	12,000	46,656
Operations and maintenance	636,585	-	1,537	638,122
Pupil transportation	513,922	-	6,730	520,652
Central	54,214	-	5,014	59,228
Operation of non-instructional services	-	-	1,079	1,079
Food service operations	-	-	349,090	349,090
Extracurricular	318,957	-	208,423	527,380
Facilities acquisition and construction	49,315	15,391,928	820,020	16,261,263
Debt service:				
Principal retirement	-	-	230,001	230,001
Interest and fiscal charges	-	-	305,338	305,338
Total cash disbursements	<u>8,507,656</u>	<u>15,391,928</u>	<u>2,382,009</u>	<u>26,281,593</u>
Net change in fund cash balances	(237,960)	(10,710,079)	(620,524)	(11,568,563)
Fund cash balances				
at beginning of year (restated)	264,866	16,484,060	1,827,938	18,576,864
Fund cash balances at end of year	<u>\$ 26,906</u>	<u>\$ 5,773,981</u>	<u>\$ 1,207,414</u>	<u>\$ 7,008,301</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Taxes	\$ 3,027,025	\$ 3,027,025	\$ 2,870,719	\$ (156,306)
Tuition	470,276	470,276	530,592	60,316
Earnings on investments	23,000	23,000	29,093	6,093
Classroom materials and fees	46,400	46,400	42,000	(4,400)
Other local revenues	49,600	49,600	70,882	21,282
Intergovernmental - intermediate	-	-	400	400
Intergovernmental - state	4,761,837	4,761,837	4,709,119	(52,718)
Total budgetary basis receipts	<u>8,378,138</u>	<u>8,378,138</u>	<u>8,252,805</u>	<u>(125,333)</u>
Budgetary basis disbursements:				
Instruction:				
Regular	3,566,692	4,155,101	4,154,034	1,067
Special	655,470	759,995	759,840	155
Vocational	83,210	78,755	78,068	687
Adult	2,330	595	594	1
Other	575,300	13,467	13,466	1
Support services:				
Pupil	369,924	323,744	323,333	411
Instructional staff	382,065	343,580	343,432	148
Board of education	55,814	32,288	32,226	62
Administration	917,189	932,244	931,923	321
Fiscal	274,308	267,179	267,066	113
Business	39,000	34,674	34,656	18
Operations and maintenance	651,243	644,226	644,065	161
Pupil transportation	535,168	520,756	513,922	6,834
Central	55,870	54,220	54,214	6
Extracurricular	302,965	319,679	319,197	482
Facility acquisition and construction	53,174	52,969	52,919	50
Total budgetary basis disbursements	<u>8,519,722</u>	<u>8,533,472</u>	<u>8,522,955</u>	<u>10,517</u>
Excess of budgetary basis receipts (under) budgetary basis disbursements	<u>(141,584)</u>	<u>(155,334)</u>	<u>(270,150)</u>	<u>(114,816)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	2,000	2,000	2,734	734
Refund of prior year expenditures	22,500	22,500	14,157	(8,343)
Refund of prior year receipts	(1,500)	-	-	-
Transfers out	(95,750)	-	-	-
Total other financing sources (uses)	<u>(72,750)</u>	<u>24,500</u>	<u>16,891</u>	<u>(7,609)</u>
Net change in fund cash balance	(214,334)	(130,834)	(253,259)	(122,425)
Fund cash balance at beginning of year	<u>222,356</u>	<u>222,356</u>	<u>222,356</u>	<u>-</u>
Prior year encumbrances appropriated	<u>42,510</u>	<u>42,510</u>	<u>42,510</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 50,532</u>	<u>\$ 134,032</u>	<u>\$ 11,607</u>	<u>\$ (122,425)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Private Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 10,923	\$ 70,400
Total assets	\$ 10,923	\$ 70,400
 Net cash assets:		
Held in trust for scholarships	\$ 10,923	\$ -
Held for student activities	-	70,400
Total net cash assets	\$ 10,923	\$ 70,400

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET CASH ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Interest	\$	250
Gifts and contributions.		400
		<hr/>
Total additions.		650
		<hr/>
Deductions:		
Scholarships awarded		550
		<hr/>
Change in net cash assets		100
		<hr/>
Net cash assets at beginning of year		10,823
		<hr/>
Net cash assets at end of year.	\$	10,923
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred twenty-five square miles. It is located in Wyandot, Seneca, and Crawford Counties. The District is the 477th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 55 classified employees, 81 certified teaching personnel, and 6 administrative employees who provide services to 1,055 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

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

JOINTLY GOVERNED ORGANIZATIONS

Vanguard-Sentinel Joint Vocational School

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

Tri-Rivers Educational Computer Association

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

North Central Regional Professional Development Center

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

Northwestern Ohio Educational Research Council, Inc.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

North Central Ohio Special Education Regional Resource Center

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

INSURANCE PURCHASING POOLS

Ohio School Plan

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

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

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

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

North Central Ohio Joint Insurance Association

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

RELATED ORGANIZATION

Mohawk Community Library

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

B. Basis of Accounting

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

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

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

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

Classroom Facilities Fund – The classroom facilities fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

FIDUCIARY FUNDS

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

D. Basis of Presentation

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Wyandot County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of control was established at the fund level, the District has elected to present budgetary comparisons at the fund and function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2006. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2006, investments were limited to federal agency securities, certificates of deposit, and a money market mutual fund. Investments are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required or authorized by Board resolution to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$29,093, which includes \$28,763 assigned from other funds.

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

G. Capital Assets

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

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

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

J. Fund Cash Balance Reserves

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

K. Net Cash Assets

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

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

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2006.

M. Interfund Activity

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

During 2006, the District changed from the accrual basis of accounting to the cash basis of accounting (see Note 2.B). The District has also elected to present the cash basis financial statements in a GASB 34 like format. The fund balances for June 30, 2005 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

For reporting in accordance with GASB 34-like statements, the District is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column.

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on fund balances at June 30, 2005:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE – (Continued)

	General	Classroom Facilities	Nonmajor Governmental	Total
Fund Balance at June 30, 2005	\$ (278,247)	\$ 15,905,933	\$ 1,770,452	\$ 17,398,138
Change in Reporting Basis Adjustments	543,113	578,127	57,486	1,178,726
Restated Fund Cash Balance at June 30, 2005	\$ 264,866	\$ 16,484,060	\$ 1,827,938	\$ 18,576,864
Governmental Activities Net Cash Assets at June 30, 2005				\$ 18,576,864

The governmental activities net cash assets at June 30, 2005 equal the restated fund cash balances at June 30, 2005 since there are no adjustments required to convert the fund financial statements to the government-wide financial statements.

In addition to the above, for fiscal year 2006, the District has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

The implementation of GASB Statement No. 46 did not have an effect on the fund cash balances/net cash assets of the District as previously reported at June 30, 2005.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$825,536. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$1,513,075 of the District's bank balance of \$1,615,150 was exposed to custodial risk as discussed below, while \$102,075 was covered by Federal Deposit Insurance Corporation.

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

C. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Cost</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
U.S. Government			
Money Market	\$ 263,988	\$ 263,988	\$ -
FHLB	2,500,000	-	2,500,000
FHLB	1,000,000	1,000,000	-
FNMA	2,500,000	2,500,000	-
	<u>\$ 6,263,988</u>	<u>\$ 3,763,988</u>	<u>\$ 2,500,000</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Cost</u>	<u>% to Total</u>
US Government Money Market	\$ 263,988	4.21
FHLB	3,500,000	55.88
FNMA	2,500,000	39.91
	<u>\$ 6,263,988</u>	<u>100.00</u>

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Custodial credit risk exists when investment securities are uninsured, are not registered in the name of the District, and are held by either 1) a counterparty, or 2) a counterparty's trust department or agent but in the District's name. The District's FHLB and FNMA securities of \$3,500,000 and 2,500,000, respectively, are subject to custodial credit risk because they are uninsured, unregistered, and held by a counterparty not in the District's name.

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

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2006:

<u>Cash per footnote</u>	
Carrying amount of deposits	\$ 825,536
Investments	6,263,988
Cash on hand	100
Total	<u>\$ 7,089,624</u>
 <u>Cash per Statement of Net Assets</u>	
Governmental activities	\$ 7,008,301
Private - purpose trust funds	10,923
Agency funds	70,400
Total	<u>\$ 7,089,624</u>

NOTE 5 - PROPERTY TAXES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 5 - PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. 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 advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 86,222,440	92.56	\$ 90,303,930	93.27
Public utility personal	2,222,436	2.39	1,745,757	1.80
Tangible personal property	<u>4,710,970</u>	<u>5.05</u>	<u>4,775,400</u>	<u>4.93</u>
Total	<u>\$ 93,155,846</u>	<u>100.00</u>	<u>\$ 96,825,087</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	44.49		44.49	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - INCOME TAXES

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was 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 7 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/06</u>	<u>Amount Due in One Year</u>
Governmental Activities:						
School improvement bonds	2-4.75%	\$ 7,595,000	\$ -	\$ (200,000)	\$ 7,395,000	\$ 200,000
Capital appreciation bonds	12.88%	85,579	11,024	-	96,603	-
Total governmental activities		<u>\$ 7,680,579</u>	<u>\$ 11,024</u>	<u>\$ (200,000)</u>	<u>\$ 7,491,603</u>	<u>\$ 200,000</u>

B. During fiscal year 2004, the District issued \$7,869,994 in general obligation bonds to provide funds for the construction of a new building to house grades pre-kindergarten 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. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (an other 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, 2006, the total estimated cost of the Construction Project is \$25,887,140, of which OSFC will pay \$19,415,140.

This issue is comprised of both current interest bonds, par value \$7,795,000, and capital appreciation bonds, par value \$74,994. The interest rates on the current interest bonds range from 2.00% to 4.75%. The capital appreciation bonds mature on December 1, 2022 (effective interest 12.880%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value at June 30, 2006, was \$96,603.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	200,000	301,338	\$ 501,338	\$ -	\$ -	\$ -
2008	205,000	297,185	502,185	-	-	-
2009	210,000	292,408	502,408	-	-	-
2010	220,000	286,758	506,758	-	-	-
2011	225,000	280,358	505,358	-	-	-
2012 - 2016	1,225,000	1,282,926	2,507,926	-	-	-
2017 - 2021	1,480,000	935,506	2,415,506	-	-	-
2022 - 2026	1,045,000	530,456	1,575,456	670,000	-	670,000
2027 - 2031	2,100,000	374,063	2,474,063	-	-	-
2032	485,000	11,519	496,519	-	-	-
Total	<u>\$7,395,000</u>	<u>\$4,592,517</u>	<u>\$ 11,987,517</u>	<u>\$ 670,000</u>	<u>\$ -</u>	<u>\$ 670,000</u>

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

Year Ended	OSFC Hardship Note		
	Principal	Interest	Total
2007	\$ 60,002	\$ -	\$ 60,002
2008	60,002	-	60,002
2009	60,002	-	60,002
2010	60,002	-	60,002
2011	30,001	-	30,001
Total	<u>\$ 270,009</u>	<u>\$ -</u>	<u>\$ 270,009</u>

E. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$889,472 and an unvoted debt margin of \$92,050.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 8 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2006, the District contracted for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Insurance provided by the Ohio School Plan	
Building and Contents - replacement cost (\$1,500 deductible)	\$20,921,630
Insurance provided by Ohio School Plan	
Automotive Liability	
Uninsured motorists	1,000,000
General liability	
Per occurrence	1,000,000
Aggregate	3,000,000

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

B. North Central Ohio Joint Insurance Association

The District participates in the North Central Ohio Joint Insurance Association (the "Association"), a public entity shared risk pool consisting of eight local school districts (See Note 2.A.). Each participating member pays premiums to the Association for employee medical, dental, life and vision coverage. The Association is responsible for the management and operation of the program. Upon withdrawal, the District is responsible for the payment of all Association liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of the Association, all member's claims are paid without regard to the members account balance. The Association Board of Directors has the right to return monies to an existing participating member subsequent to the settlement of all expenses and claims

C. Workers' Compensation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$123,657, \$124,369, and \$97,873; 100 percent has been contributed for fiscal years 2006, 2005 and 2004.

B. State Teachers Retirement System

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 – 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.

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

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$515,062, \$512,588 and \$491,768; 100 percent has been contributed for fiscal years 2006, 2005 and 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$39,620 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS – (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$61,688 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 11 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 12 – BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Cash Balance

Cash Basis	\$ (237,960)
Adjustment for Encumbrances	<u>(15,299)</u>
Budget Basis	<u><u>\$ (253,259)</u></u>

NOTE 13 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund cash receipt amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ (71,887)	\$ -
Current year set-aside requirement	156,870	156,870
Qualifying disbursements	<u>(89,567)</u>	<u>(851,485)</u>
Total	<u>\$ (4,584)</u>	<u>\$ (694,615)</u>
Cash balance carried forward to FY 2007	<u>\$ (4,584)</u>	<u>\$ -</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 14 - CONTRACTUAL COMMITMENTS

The District is currently involved in a construction projects which resulted in contractual commitments remaining at fiscal year-end. The District had the following contractual commitments outstanding as of June 30, 2006:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended Through 6/30/06</u>	<u>Balance at 6/30/06</u>
Adena Corporation	\$ 11,845,519	\$ 9,443,744	\$ 2,401,775
Alvada Construction Inc.	414,942	128,961	285,981
Bodie Electric, Inc.	1,699,930	1,191,478	508,452
Guenther Mechanical, Inc.	1,254,571	771,670	482,901
George J. Igel & Co., Inc.	3,066,854	2,680,258	386,596
Microman, Inc.	884,331	250,878	633,453
Vaughn Industries	3,318,920	2,650,011	668,909
Vulcan Enterprises, Inc.	<u>352,917</u>	<u>115,702</u>	<u>237,215</u>
Total	<u>\$ 22,837,984</u>	<u>\$ 17,232,702</u>	<u>\$ 5,605,282</u>

NOTE 15 – FINANCIAL DIFFICULTIES

At the end of fiscal year 2006, the District had a general fund cash balance of \$26,906. The District Board of Education placed an additional .5% income tax levy on the November 7, 2006 ballot which was estimated to generate \$550,000 per year, however it failed.

In response to the failure of the levy attempt in November 2006, the District Board of Education chose to implement two changes to end fiscal year 2007 with a positive balance. 1) The District Board of Education rescinded the 035 Employee Severance Pay Fund and transferred this fund's balance of \$121,228 into the General Fund. This money was set aside for retiring teachers and remains a District liability. The District has twelve teachers with 30 years or more of teaching experience. 2) Health insurance premiums are due on the 25th day of the month prior to the month of coverage. The District Board of Education will not pay the health premiums due June 25, 2007 until July 2, 2007, to enable the District to end with a positive balance. The amount of monthly premiums is estimated at \$82,000. Thirteen payments will be paid in fiscal year 2008.

Since the District is projecting a deficit for fiscal year 2008, the District Board of Education will be devising a plan to end fiscal year 2008 with a positive balance and will also place an additional .5% income tax levy on the May 8, 2007 ballot for a three year term.

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$0	\$42,139	\$0	\$42,139
National School Lunch Program	050740-LLP4-2006	10.555	70,557	0	70,557	0
	050740-LLP4-2005		10,997	0	10,997	0
Total National School Lunch Program			81,554	0	81,554	0
Total U.S. Department of Agriculture			81,554	42,139	81,554	42,139
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	050740-6BSF-2006	84.027	223,312	0	223,312	0
	050740-6BSF-2005		27,276	0	27,276	0
<i>Passed Through the Putnam County Educational Service Center</i>						
Special Education Grants to States	049304-6BII-2006		2,800	0	2,800	0
Total Special Education Grants to States			253,388	0	253,388	0
<i>Passed Through the Ohio Department of Education:</i>						
Special Education - Preschool Grant	050740-PGS1-2006	84.173	13,910	0	13,910	0
	050740-PGS1-2005		3,109	0	3,109	0
Total Special Education - Preschool Grant			17,019	0	17,019	0
Total Special Education Cluster			270,407	0	270,407	0
Title I Grants to Local Educational Agencies	050740-C1S1-2006	84.010	76,387	0	76,387	0
	050740-C1S1-2005		15,483	0	15,483	0
Total Title I Grants to Local Educational Agencies			91,870	0	91,870	0
Innovative Education Program Strategies	050740-C2S1-2006	84.298	2,885	0	2,885	0
Improving Teacher Quality State Grants	050740-TRS1-2006	84.367	26,548	0	26,548	0
Safe & Drug-Free Schools and Communities-State Grant	050740-DRS1-2006	84.186	4,061	0	4,061	0
Technology Literacy Challenge Fund Grant	050740-TJS1-2006	84.318	1,671	0	1,671	0
Total U.S. Department of Education			397,442	0	397,442	0
TOTAL FEDERAL AWARDS			\$478,996	\$42,139	\$478,996	\$42,139

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION AND NATIONAL SCHOOL LUNCH PROGRAM

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2006, wherein we noted the District changed from accounting principles generally accepted in the United States of America to the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated December 8, 2006, we reported a certain other matter involving internal control over financial reporting which we did not deem a reportable condition.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-002.

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

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

Betty Montgomery
Auditor of State

December 8, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Mohawk Local School District, Wyandot County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

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



Betty Montgomery
Auditor of State

December 8, 2006

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

Finding Number	2006-001
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Investment Transactions

During fiscal year 2004, Mohawk Local School District invested approximately \$15.7 million of bond and note issuance proceeds through Butler Wick. At June 30, 2006, the District had approximately \$6.2 million still invested through Butler Wick. These investments are not registered in the name of the District, but are held in Butler Wick's name and are commingled with securities being held by Butler Wick for other clients. Maintaining District investments in the name of a third party may limit the District's control of those investments and may represent a substantial risk of loss to the District.

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

Officials' Response

The District's bond counsel recommended the firm Butler Wick to handle the District's investments. The District has been comfortable with the investment arrangements with Butler Wick. The final security will mature in February 2007.

Finding Number	2006-002
-----------------------	----------

GAAP Reporting

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

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For 2006, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures, that while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

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

Officials' Response

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Investing arrangement with Butler Wick	No	Not corrected; this matter is being repeated as finding 2006-001.



Mary Taylor, CPA
Auditor of State

MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 6, 2007