



Dave Yost • Auditor of State

**MOHAWK LOCAL SCHOOL DISTRICT
 WYANDOT COUNTY
 JUNE 30, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mohawk Local School District
Wyandot County
295 State Route 231
Sycamore, Ohio 44882-9434

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis 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 years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2016 and 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion and Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 8, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The management's discussion and analysis of the Mohawk Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016, 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 fiscal year 2016 are as follows:

- The total net cash position of the District increased \$630,703 or 16.26% from fiscal year 2015. This increase can be mainly attributed to an increase in unrestricted grant receipts.
- General cash receipts accounted for \$10,197,220 or 81.64% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,292,655 or 18.36% of total governmental activities cash receipts.
- The District had \$11,859,172 in cash disbursements related to governmental activities; \$2,292,655 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$10,197,220 were adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement debt service fund and permanent improvement capital project fund. The general fund, the District's largest major fund, had cash receipts of \$11,004,634 in 2016. The cash disbursements and other financing uses of the general fund, totaled \$10,225,294 in 2016. The general fund's cash balance increased \$779,340 from a cash balance of \$1,885,296 in 2015 to a cash balance of \$2,664,636 in 2016.
- The bond retirement debt service fund, a District major fund, had cash receipts of \$519,816 in 2016. Cash disbursements for 2016 totaled \$466,236. The bond retirement debt service fund cash balance increased \$53,580 from a cash balance of \$641,300 in 2015 to a cash balance of \$694,880 in 2016.
- The permanent improvement capital project fund, a District major fund, had other financing sources of \$786,859 in 2016. Cash disbursements for 2016 totaled \$357,802. The permanent improvement capital project fund cash balance for 2016 was \$665,464.

Using the Basic Financial Statements (BFS)

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

The statement of net position - 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 three major governmental funds. The general fund is the largest major fund.

**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2016?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position 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 position - cash basis and 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.

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, bond retirement debt service fund and permanent improvement capital project fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles 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

**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

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.

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 position cash basis and changes in fiduciary net position cash basis. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash position at June 30, 2016 and June 30, 2015.

	Net Cash Position	
	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 4,493,329	\$ 3,880,007
Cash with escrow agent	17,381	-
Total assets	<u>4,510,710</u>	<u>3,880,007</u>
<u>Net Cash Position</u>		
Restricted	1,211,076	1,758,304
Unrestricted	<u>3,299,634</u>	<u>2,121,703</u>
Total net cash position	<u>\$ 4,510,710</u>	<u>\$ 3,880,007</u>

The total net cash position of the District increased \$630,703 which represents a 16.26% increase from fiscal year 2015.

**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The balance of government-wide unrestricted net cash position of \$3,299,634 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2016 and 2015.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	2016	2015
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,410,310	\$ 1,397,554
Operating grants and contributions	882,345	857,840
Total program cash receipts	<u>2,292,655</u>	<u>2,255,394</u>
General cash receipts:		
Property and other taxes	4,809,386	4,557,497
Unrestricted grants:		
Operating	5,353,790	4,550,944
Investment earnings	7,729	8,609
Proceeds of certificates of participation	-	1,600,000
Other	26,315	36,240
Total general cash receipts	<u>10,197,220</u>	<u>10,753,290</u>
Total cash receipts	<u>\$ 12,489,875</u>	<u>\$ 13,008,684</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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Change in Net Cash Position (Continued)

	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
Cash Disbursements:		
Instruction:		
Regular	\$ 4,284,075	\$ 4,341,265
Special	1,064,258	1,021,010
Vocational	151,020	134,687
Other	1,929	16,450
Support services:		
Pupil	795,745	663,280
Instructional staff	521,387	505,328
Board of education	59,030	39,299
Administration	597,738	725,261
Fiscal	347,308	279,269
Business	14,514	14,166
Operations and maintenance	1,279,261	1,603,261
Pupil transportation	550,425	569,235
Central	27,965	38,704
Operation of non instructional services:		
Food service operations	398,599	383,119
Extracurricular	456,275	418,905
Facilities acquisition and construction	673,801	866,048
Debt service:		
Principal retirement	500,000	340,000
Interest and fiscal charges	135,842	118,374
	<u>11,859,172</u>	<u>12,077,661</u>
Change in net cash position	630,703	931,023
Net cash position at beginning of year	<u>3,880,007</u>	<u>2,948,984</u>
Net cash position at end of year	<u>\$ 4,510,710</u>	<u>\$ 3,880,007</u>

Governmental Activities

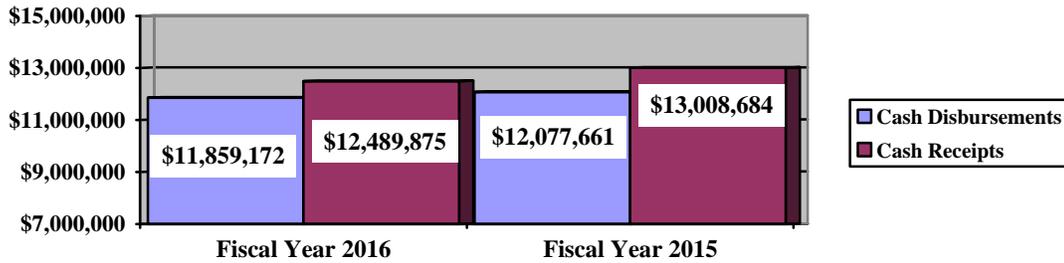
Governmental cash position increased by \$630,703 in 2016 from 2015. Total governmental disbursements of \$11,859,172 were offset by program receipts of \$2,292,655 and general receipts of \$10,197,220. Program receipts supported 19.33% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$5,501,282 or 46.39% of total governmental expenditures.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 81.37% of total governmental receipts. Real estate property is reappraised every six years.

**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

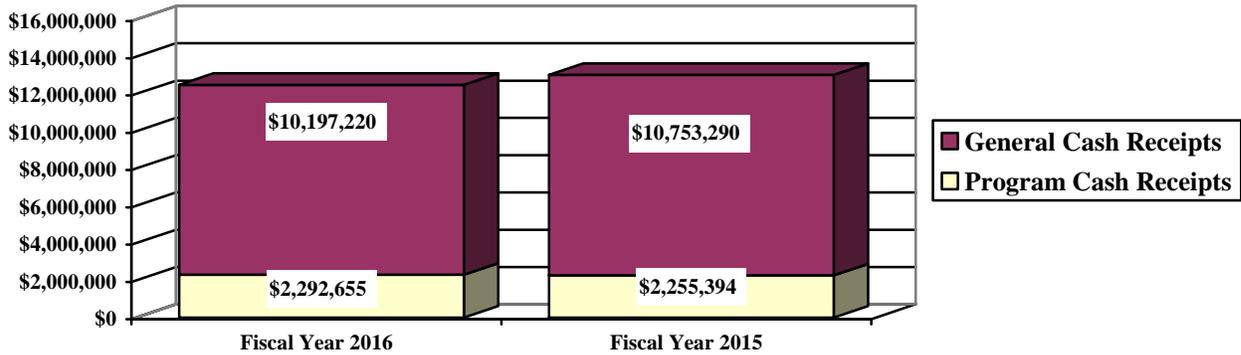
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Cash disbursements:				
Instruction:				
Regular	\$ 4,284,075	\$ 3,389,702	\$ 4,341,265	\$ 3,443,489
Special	1,064,258	344,298	1,021,010	278,412
Vocational	151,020	121,740	134,687	95,735
Other	1,929	1,929	16,450	16,450
Support services:				
Pupil	795,745	795,745	663,280	663,280
Instructional staff	521,387	510,931	505,328	487,917
Board of education	59,030	59,030	39,299	39,299
Administration	597,738	597,738	725,261	725,261
Fiscal	347,308	347,308	279,269	279,269
Business	14,514	10,914	14,166	10,566
Operations and maintenance	1,279,261	1,258,536	1,603,261	1,586,302
Pupil transportation	550,425	550,425	569,235	569,235
Central	27,965	27,965	38,704	38,704
Operation of non instructional services:				
Food service operations	398,599	(45,676)	383,119	4,742
Extracurricular	456,275	286,289	418,905	259,184
Facilities acquisition and construction	673,801	673,801	866,048	866,048
Debt service:				
Principal retirement	500,000	500,000	340,000	340,000
Interest and fiscal charges	135,842	135,842	118,374	118,374
Total	\$ 11,859,172	\$ 9,566,517	\$ 12,077,661	\$ 9,822,267

**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The dependence upon general cash receipts for governmental activities is apparent; with 80.67% of cash disbursements supported through taxes and other general cash receipts during 2016.

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 \$4,510,710, which is \$630,703 above last year's total of \$3,880,007. This increase can be mainly attributed to an increase in unrestricted grant receipts. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2016</u>	Fund Cash Balance <u>June 30, 2015</u>	<u>Change</u>
General	\$ 2,664,636	\$ 1,885,296	\$ 779,340
Bond retirement	694,880	641,300	53,580
Permanent Improvement	665,464	236,407	429,057
Other nonmajor governmental funds	<u>485,730</u>	<u>1,117,004</u>	<u>(631,274)</u>
Total	<u>\$ 4,510,710</u>	<u>\$ 3,880,007</u>	<u>\$ 630,703</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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General Fund

The general fund, the District's largest major fund, had cash receipts of \$11,004,634 in 2016. The cash disbursements and other financing uses of the general fund, totaled \$10,225,294 in 2016. The general fund's cash balance increased \$779,340 or 41.34% from 2015 to 2016. This increase can be attributed to an increase in property and income taxes as well as intergovernmental receipts.

The following two tables assist in illustrating the cash receipts and disbursements of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 4,312,640	\$ 4,021,452	7.24 %
Tuition	956,465	952,864	0.38 %
Earnings on investments	6,878	8,019	(14.23) %
Other local revenues	109,374	111,445	(1.86) %
Intergovernmental	<u>5,619,277</u>	<u>4,840,439</u>	16.09 %
Total	<u>\$ 11,004,634</u>	<u>\$ 9,934,219</u>	10.78 %

The District's property taxes increased due to an increase in assessed values on which calendar year 2016 property tax receipts were based, affecting the second half of the District's fiscal year. Intergovernmental receipts increased \$778,838 due to an increase in grants received from the state. All other receipts remained comparable to fiscal year 2015.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 5,119,356	\$ 5,123,803	(0.09) %
Support services	3,981,045	4,359,371	(8.68) %
Extracurricular	<u>338,034</u>	<u>303,126</u>	11.52 %
Total	<u>\$ 9,438,435</u>	<u>\$ 9,786,300</u>	(3.55) %

The decrease in support services can be attributed to a decrease in the costs of salaries and wages. All other disbursements remained comparable to fiscal year 2015.

Bond Retirement Fund

The bond retirement debt service fund, a District major fund, had cash receipts of \$519,816 in 2016. Cash disbursements for 2016 totaled \$466,236. The bond retirement debt service fund cash balance increased \$53,580 from a cash balance of \$641,300 in 2015 to a cash balance of \$694,880 in 2016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Permanent Improvement Fund

The permanent improvement capital project fund, a District major fund, had other financing sources of \$786,859 in 2016. Cash disbursements for 2016 totaled \$357,802. The permanent improvement capital project fund cash balance for 2016 was \$665,464.

Budgeting Highlights - General Fund

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

For the general fund, final budgetary basis receipts and other financing sources of \$10,922,391 were greater than the original budget estimates of \$10,915,391. Actual cash receipts of \$10,966,066 were more than final budget estimates by \$43,675. The final budgetary basis disbursements and other financing uses of \$10,973,941 were more than the original budget estimates of \$9,999,138. The actual budgetary basis disbursements and other financing uses of \$10,363,129 were \$610,812 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.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2016 and 2015:

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds	\$ 5,622,324	\$ 5,767,349
Certificates of participation	<u>1,445,000</u>	<u>1,600,000</u>
Total long-term obligations	<u><u>\$ 7,067,324</u></u>	<u><u>\$ 7,367,349</u></u>

Refer to Note 8 to the basic financial statements for further detail.

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. It 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 it has operated within its allotted budget since the community passed a 1% income tax in 1995. This income tax issue has been successfully renewed four times since its passage and generates approximately \$1,434,000 annually. The support from our local community is critical because of future state funding concerns.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Since our District's Class I tax rate is at the 20 mill floor, the District will see small real estate increase proportion to the increase in Class I values. During fiscal year 2015 and 2016, the District experienced significant increases in CAUV valuation, which resulted in a substantial increase in property tax receipts. Overall, property values have increased by 5.44% over the last five years.

At the end of fiscal year 2016, after many years of cost containment, the district's finances stabilized. In order to ensure future fiscal stability, the district placed \$200,000 into a rainy day fund at the beginning fiscal year 2014 with the intent to place \$200,000 into this fund each year for a five year period. Currently, the fund has accumulated \$600,000. It ended the year with an unencumbered/unreserved general fund balance of \$2,450,712. The District will continue to keep a close eye on receipts versus disbursements in future years in order to stay fiscally sound.

The District's greatest concern remains planning for the resources needed to address its aging facilities. To tackle this, the District began in fiscal year 2014 to allocate 20% of its income tax proceeds to a Permanent Improvement Fund. It is the current intent to keep this allocation at 20% for a total of five years and then to reduce this to 10% thereafter. Additionally, the District transferred \$500,000 to the Permanent Improvement fund at year end with the intent to transfer another \$500,000 in fiscal year 2017. These allocations will enable the district to plan for capital needs without jeopardizing the health and predictability of the general fund.

Since the District receives 48% of revenue from state foundation, knowledge of the interworking is critical. Understanding the implications of the District's local tax base as compared to the statewide taxpayer is necessary. State funding of the District is based upon a State Share Index (SSI) which is established upon the District's wealth to the state as a whole. The greater property valuation and/or fewer students makes a district look wealthier. Valuation per pupil relative to the state is a key factor. The District's state funding increased significantly by 15.51% in fiscal year 2016 due to the State's new biennial budget.

The enrollment pattern has resulted in a very slight decline in recent years. Open enrollment figures for recent years show a positive number of students entering the District over those leaving the District. Students attending community schools have increased in recent years. Open enrollment and community school numbers are uncertain from year to year and are therefore monitored closely.

School districts have experienced major changes in legislation, school funding initiatives, and local economic conditions, as well as, increased costs for health care. The roles and influence of legislative officials is also somewhat unpredictable and will also impact future school funding decisions. The District is committed to careful monitoring and planning to provide the resources required to provide the highest standards for educating the students it serves.

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 Rhonda Feasel, Treasurer, Mohawk Local School District, 295 State Highway 231, Sycamore, OH 44882-9434, or phone at 419-927-2414 x4003.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 4,493,329
Cash with escrow agent	17,381
Total assets.	\$ 4,510,710
 Net cash position:	
Restricted for:	
Capital projects	\$ 61,477
Permanent fund - nonexpendable	10,119
Classroom facilities maintenance	256,789
Debt service.	694,880
Locally funded programs	7,422
Student activities	58,352
Other purposes	122,037
Unrestricted	3,299,634
Total net cash position.	\$ 4,510,710

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 4,284,075	\$ 891,417	\$ 2,956	\$ (3,389,702)
Special	1,064,258	100,329	619,631	(344,298)
Vocational	151,020	-	29,280	(121,740)
Other	1,929	-	-	(1,929)
Support services:				
Pupil	795,745	-	-	(795,745)
Instructional staff	521,387	-	10,456	(510,931)
Board of education	59,030	-	-	(59,030)
Administration	597,738	-	-	(597,738)
Fiscal	347,308	-	-	(347,308)
Business	14,514	-	3,600	(10,914)
Operations and maintenance	1,279,261	19,140	1,585	(1,258,536)
Pupil transportation	550,425	-	-	(550,425)
Central	27,965	-	-	(27,965)
Operation of non-instructional services:				
Food service operations	398,599	232,552	211,723	45,676
Extracurricular activities	456,275	166,872	3,114	(286,289)
Facilities acquisition & construction	673,801	-	-	(673,801)
Debt service:				
Principal retirement	500,000	-	-	(500,000)
Interest and fiscal charges	135,842	-	-	(135,842)
Total governmental activities	<u>\$ 11,859,172</u>	<u>\$ 1,410,310</u>	<u>\$ 882,345</u>	<u>(9,566,517)</u>

General cash receipts:

Property taxes levied for:	
General purposes	2,878,346
Debt service	452,752
Special revenue	43,994
Income taxes levied for:	
General purposes	1,434,294
Grants and entitlements not restricted to specific programs	
Investment earnings	7,729
Miscellaneous	26,315
Total general cash receipts	<u>10,197,220</u>
Change in net cash position	630,703
Net cash position at beginning of year	<u>3,880,007</u>
Net cash position at end of year	<u>\$ 4,510,710</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,664,636	\$ 694,880	\$ 665,464	\$ 468,349	\$ 4,493,329
Cash with escrow agent.	-	-	-	17,381	17,381
Total assets	<u>\$ 2,664,636</u>	<u>\$ 694,880</u>	<u>\$ 665,464</u>	<u>\$ 485,730</u>	<u>\$ 4,510,710</u>
Fund cash balances:					
Nonspendable:					
Permanent fund	\$ -	\$ -	\$ -	\$ 10,119	\$ 10,119
Restricted:					
Debt service	-	694,880	-	-	694,880
Capital improvements	-	-	-	61,477	61,477
Classroom facilities maintenance	-	-	-	256,789	256,789
Food service operations	-	-	-	122,037	122,037
Other purposes.	-	-	-	7,422	7,422
Extracurricular.	-	-	-	58,352	58,352
Assigned:					
Student instruction	6,554	-	-	-	6,554
Student and staff support.	207,370	-	-	-	207,370
Subsequent year's appropriations	444,879	-	-	-	444,879
Capital improvements	-	-	665,464	-	665,464
Unassigned (deficit)	<u>2,005,833</u>	<u>-</u>	<u>-</u>	<u>(30,466)</u>	<u>1,975,367</u>
Total fund cash balances	<u>\$ 2,664,636</u>	<u>\$ 694,880</u>	<u>665,464</u>	<u>\$ 485,730</u>	<u>\$ 4,510,710</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Bond Retirement	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:					
From local sources:					
Property taxes	\$ 2,878,346	\$ 452,752	\$ -	\$ 43,994	\$ 3,375,092
Income taxes	1,434,294	-	-	-	1,434,294
Tuition	956,465	-	-	-	956,465
Earnings on investments	6,878	-	-	1,049	7,927
Charges for services	-	-	-	232,552	232,552
Extracurricular	28,638	-	-	138,234	166,872
Classroom materials and fees	35,281	-	-	-	35,281
Rental income	19,140	-	-	-	19,140
Contributions and donations	9,506	-	-	5,347	14,853
Other local revenues	16,809	-	-	2,874	19,683
Intergovernmental - state	5,489,125	67,064	-	36,056	5,592,245
Intergovernmental - federal	130,152	-	-	505,319	635,471
Total cash receipts	<u>11,004,634</u>	<u>519,816</u>	<u>-</u>	<u>965,425</u>	<u>12,489,875</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	4,234,082	-	-	49,993	4,284,075
Special	732,325	-	-	331,933	1,064,258
Vocational	151,020	-	-	-	151,020
Other	1,929	-	-	-	1,929
Support services:					
Pupil	784,412	-	-	11,333	795,745
Instructional staff	520,935	-	-	452	521,387
Board of education	59,030	-	-	-	59,030
Administration	597,738	-	-	-	597,738
Fiscal	330,815	15,330	-	1,163	347,308
Business	10,914	-	-	3,600	14,514
Operations and maintenance	1,098,811	-	172,866	7,584	1,279,261
Pupil transportation	550,425	-	-	-	550,425
Central	27,965	-	-	-	27,965
Operation of non-instructional services:					
Food service operations	-	-	-	398,599	398,599
Extracurricular activities	338,034	-	-	118,241	456,275
Facilities acquisition and construction	-	-	-	673,801	673,801
Debt service:					
Principal retirement	-	345,000	155,000	-	500,000
Interest and fiscal charges	-	105,906	29,936	-	135,842
Total cash disbursements	<u>9,438,435</u>	<u>466,236</u>	<u>357,802</u>	<u>1,596,699</u>	<u>11,859,172</u>
Excess (deficiency) of cash receipts over (under) disbursements	<u>1,566,199</u>	<u>53,580</u>	<u>(357,802)</u>	<u>(631,274)</u>	<u>630,703</u>
Other financing sources (uses):					
Transfers in	-	-	786,859	-	786,859
Transfers (out)	<u>(786,859)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(786,859)</u>
Total other financing sources (uses)	<u>(786,859)</u>	<u>-</u>	<u>786,859</u>	<u>-</u>	<u>-</u>
Net change in fund cash balances	779,340	53,580	429,057	(631,274)	630,703
Fund cash balances at beginning of year	<u>1,885,296</u>	<u>641,300</u>	<u>236,407</u>	<u>1,117,004</u>	<u>3,880,007</u>
Fund cash balances at end of year	<u>\$ 2,664,636</u>	<u>\$ 694,880</u>	<u>\$ 665,464</u>	<u>\$ 485,730</u>	<u>\$ 4,510,710</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary cash receipts:				
From local sources:				
Property taxes	\$ 2,847,779	\$ 2,849,610	\$ 2,878,346	\$ 28,736
Income taxes.	1,380,301	1,381,188	1,434,294	53,106
Tuition.	980,829	981,460	956,465	(24,995)
Earnings on investments	4,898	4,901	6,878	1,977
Classroom materials and fees	41,619	41,646	35,281	(6,365)
Rental income	16,143	16,153	19,140	2,987
Contributions and donations	1,905	1,906	1,121	(785)
Other local revenues	10,000	9,987	15,264	5,277
Intergovernmental - state	5,579,504	5,583,094	5,489,125	(93,969)
Intergovernmental - federal	50,443	50,475	130,152	79,677
Total budgetary cash receipts	<u>10,913,421</u>	<u>10,920,420</u>	<u>10,966,066</u>	<u>45,646</u>
Budgetary cash disbursements:				
Current:				
Instruction:				
Regular	4,198,134	4,430,859	4,238,554	192,305
Special.	716,862	787,787	732,550	55,237
Vocational.	142,331	153,358	151,520	1,838
Other.	18,766	20,093	1,929	18,164
Support services:				
Pupil.	742,977	837,214	787,514	49,700
Instructional staff	484,961	549,187	523,558	25,629
Board of education	46,184	81,061	65,615	15,446
Administration.	565,398	611,906	601,912	9,994
Fiscal	290,435	337,952	334,357	3,595
Business	19,286	20,672	15,213	5,459
Operations and maintenance.	1,158,378	1,309,761	1,201,737	108,024
Pupil transportation	560,478	683,417	589,197	94,220
Central.	42,618	36,353	27,965	8,388
Extracurricular activities.	285,650	327,440	304,649	22,791
Total budgetary cash disbursements	<u>9,272,458</u>	<u>10,187,060</u>	<u>9,576,270</u>	<u>610,790</u>
Excess of budgetary cash receipts over budgetary cash disbursements.	<u>1,640,963</u>	<u>733,360</u>	<u>1,389,796</u>	<u>656,436</u>
Other financing sources (uses):				
Transfers in	310	310	-	(310)
Transfers (out).	(726,680)	(786,881)	(786,859)	22
Sale of capital assets	1,660	1,661	-	(1,661)
Total other financing sources (uses)	<u>(724,710)</u>	<u>(784,910)</u>	<u>(786,859)</u>	<u>(1,949)</u>
Net change in fund cash balance	916,253	(51,550)	602,937	654,487
Fund cash balance at beginning of year . .	1,635,884	1,635,884	1,635,884	-
Prior year encumbrances appropriated . .	211,891	211,891	211,891	-
Fund cash balance at end of year	<u>\$ 2,764,028</u>	<u>\$ 1,796,225</u>	<u>\$ 2,450,712</u>	<u>\$ 654,487</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 15,410	\$ 103,201
Net cash position:		
Held in trust for scholarships	\$ 15,410	\$ -
Held for student activities.		103,201
Total net cash position.	<u>\$ 15,410</u>	<u>\$ 103,201</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 78
Gifts and contributions.	3,355
Total additions.	3,433
 Deductions:	
Scholarships awarded	2,100
 Change in net cash position	1,333
Net cash position at beginning of year. . .	14,077
Net cash position at end of year	\$ 15,410

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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. It is staffed by 49 classified employees, 62 certified teaching personnel and 4 administrative employees who provide services to 926 students and other community members. The District currently operates one building that houses all students, staff and administrative personnel.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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 organization's Governing 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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, 2016
(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, Alan Binger, who serves as Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

META Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA), the Metropolitan Educational Council (MEC), the Metropolitan Dayton Educational Cooperative Association (MDECA), South Central Ohio Computer Association (SCOCA) and the Southeastern Ohio Voluntary Education Cooperative (SEOVEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2016, the District paid META Solutions \$45,054 for services. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

INSURANCE PURCHASING POOLS

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

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

The Executive Director of Comp Management, 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 six 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, 2016
(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, Michelle Schafer, Clerk/Treasurer, 200 South Sycamore Avenue, P.O. Box 9, 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 and report all financial resources not accounted for and reported 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.

Bond retirement fund - The bond retirement fund is used to account for receipts and proceeds of bond issuance derived from levies for the retirement of debt and related interest.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Permanent improvement fund - The permanent improvement fund is used to account all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest and (d) to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash position. 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 position - 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 business segment or 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.

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 2016 is as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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 Seneca 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 July 1, 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 of estimated resources issued for fiscal year 2016.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of control is the fund level, the District presents budgetary statements at the fund/function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. 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, 2016. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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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 2016, investments were limited to certificates of deposit. Investments are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$6,878, which includes \$2,632 assigned from other funds.

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

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

G. Capital Assets

Acquisitions 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 Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Net Cash Position

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

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

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2016.

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(Continued)

M. 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 2016.

N. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

B. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

C. Deficit Cash Balances

The District had the following deficit cash balances at June 30, 2016:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
IDEA Part B	\$ 17,998
Title I - disadvantaged children	9,631
IDEA Part B - Preschool Stimulus	1,116
Improving Teacher Quality	1,721

This deficit cash balance resulted from a lag between disbursements made by the District and reimbursements from grantors and are allowable under Ohio Revised Code §3315.20.

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.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association,

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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 items 1 and 2 above 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 the State Treasury Asset Reserve of Ohio (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.

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.

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 with Escrow Agent

At June 30, 2016 the District had \$17,381 in cash with escrow agent. The amount is held in escrow to account for the retainage associated with the District's HVAC project.

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$4,629,321. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30,

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2016, \$4,251,559 of the District's bank balance of \$4,751,559 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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. Reconciliation of Cash and Investments to the Statement of Net Cash Position

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,629,321
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,510,710
Private - purpose trust funds	15,410
Agency funds	103,201
Total	\$ 4,629,321

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Permanent improvement fund	\$ 786,859

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

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Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wyandot, Seneca and Crawford Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second		2016 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 144,493,530	94.85	\$ 146,186,180	94.34
Public utility personal	<u>7,848,570</u>	<u>5.15</u>	<u>8,765,690</u>	<u>5.66</u>
Total	<u>\$ 152,342,100</u>	<u>100.00</u>	<u>\$ 154,951,870</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.80		\$38.50	

NOTE 7 - INCOME TAXES

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

NOTE 8 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2016, the following activity occurred in governmental activities long-term obligations:

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	Balance Outstanding <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2016</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
General obligation bonds:					
School improvement bonds:					
Series 2004 refunding bonds:					
Capital appreciation bonds	\$ 74,994	\$ -	\$ -	\$ 74,994	\$ -
Accretion on capital bonds	212,445	37,024	-	249,469	-
Series 2012 refunding bonds:					
Current interest bonds	4,860,000	-	(345,000)	4,515,000	-
Capital appreciation bonds	344,995	-	-	344,995	143,135
Accretion on capital bonds	274,915	162,951	-	437,866	181,664
2015 certificates of participation	<u>1,600,000</u>	<u>-</u>	<u>(155,000)</u>	<u>1,445,000</u>	<u>150,000</u>
Total long-term obligations, governmental activities	<u>\$ 7,367,349</u>	<u>\$ 199,975</u>	<u>\$ (500,000)</u>	<u>\$ 7,067,324</u>	<u>\$ 474,799</u>

Mohawk Local School Improvement Bonds (2004)

During fiscal year 2004, the District issued \$7,869,994 in general obligation bonds to provide funds for the construction of a new building to house grades pre-kindergarten through 12 (hereinafter called Construction Project). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a major governmental fund). The source of payment is derived from a current 5.99 mil bonded debt tax levy for the Construction Project. The Construction Project was completed during fiscal year 2008.

The majority of these bonds were refunded in fiscal year 2013 with the issuance of Series 2012 Refunding Bonds leaving a balance of \$255,000 at June 30, 2014. The final principal payment was made on December 1, 2014.

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 was December 1, 2014.

The capital appreciation bonds mature on December 1, 2021 and December 1, 2022 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$335,000 and \$335,000 with \$595,006 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2016 is \$249,469.

Series 2012 School Improvement Refunding Bonds

On November 27, 2012, the District issued series 2012 school improvement refunding bonds to refund the callable portion of the series 2004 general obligation bonds (principal \$5,370,000). The balance of the refunded general obligation current interest bonds at June 30, 2016, is \$4,515,000.

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This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$5,025,000 and \$344,995, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.00%. The current interest bonds mature on December 1, 2031 and will be retired through the bond retirement fund. The capital appreciation bonds mature on December 1, 2016, December 1, 2017 and December 1, 2018 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$365,000, \$365,000 and \$360,000 with \$745,005 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2016 is \$437,866.

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
2017	\$ -	\$ 99,007	\$ 99,007	\$ 143,135	\$ 221,865	\$ 365,000
2018	-	99,007	99,007	113,340	251,660	365,000
2019	-	99,007	99,007	88,520	271,480	360,000
2020	360,000	99,006	459,006	-	-	-
2021	370,000	91,806	461,806	-	-	-
2022 - 2026	1,245,000	392,930	1,637,930	74,994	595,006	670,000
2027 - 2031	2,090,000	210,400	2,300,400	-	-	-
2032	450,000	12,375	462,375	-	-	-
Total	\$ 4,515,000	\$ 1,103,538	\$ 5,618,538	\$ 419,989	\$ 1,340,011	\$ 1,760,000

2015 Certificates of Participation - On March 12, 2015, the District issued certificates of participation in the amount of \$1,600,000, to provide funds for a new HVAC system. This debt was issued for a ten year period, with final maturity during fiscal year 2025. The debt will be retired through the permanent improvement capital project fund.

The debt maturing on December 1, 2024 is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal and interest amounts as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 150,000	\$ 27,647	\$ 177,647
2018	150,000	25,397	175,397
2019	155,000	23,110	178,110
2020	155,000	20,785	175,785
2021	160,000	17,742	177,742
2022 - 2025	675,000	32,137	707,137
Total	\$ 1,445,000	\$ 146,818	\$ 1,591,818

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B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$9,705,559 (including available funds of \$694,880) and an unvoted debt margin of \$154,952.

NOTE 9 - 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 2016, the District contracted for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Insurance provided by GUA Insurance Company	
Building and Contents - replacement cost (\$1,000 deductible)	\$42,284,596
Insurance provided by GUA Insurance Company	
Automotive Liability	1,000,000
Uninsured motorists	1,000,000
General liability	
Per occurrence	1,000,000
Aggregate	3,000,000

Settled claims have not exceeded these coverages 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 six 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 or not return monies to an existing participating member subsequent to the settlement of all expenses and claims.

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C. Workers' Compensation

For fiscal year 2016, the District participated in the OASBO/OSBA/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a

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publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$187,773 for fiscal year 2016.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a

**MOHAWK LOCAL SCHOOL DISTRICT
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percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$505,691 for fiscal year 2016.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$2,227,689	\$9,406,433	\$11,634,122
Proportion of the net pension liability	0.0390405%	0.03403556%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
 Total	 <u><u>100.00 %</u></u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$3,089,004	\$2,227,689	\$1,502,390

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$13,066,245	\$9,406,433	\$6,311,516

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined

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(Continued)**

minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$17,881, \$27,541, and \$19,630, respectively. 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the Plan) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$35,392, respectively; 100 percent has been contributed for fiscal year 2014.

NOTE 12 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ 602,937
Funds budgeted elsewhere	2,083
Adjustment for encumbrances	<u>174,320</u>
Cash basis	<u>\$ 779,340</u>

The public school support fund is legally budgeted as a separate special revenue fund; however, it is considered part of the general fund for financial reporting purposes.

NOTE 14 - STATUTORY RESERVES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2015	\$ -
Current year set-aside requirement	165,472
Current year qualifying expenditures	<u>(273,563)</u>
Total	<u>\$ (108,091)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

The Board established a budget stabilization reserve on June 16, 2014 within the General Fund. As of June 30, 2016, the balance in the reserve was \$600,000.

NOTE 15 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 182,155
Other nonmajor governmental	<u>87,572</u>
Total	<u>\$ 269,727</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The management's discussion and analysis of the Mohawk Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2015, 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 fiscal year 2015 are as follows:

- The total net cash position of the District increased \$931,023 or 31.57% from fiscal year 2014. This increase can be attributed to an increase in property and income taxes.
- General cash receipts accounted for \$10,753,290 or 82.66% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,255,394 or 17.34% of total governmental activities cash receipts.
- The District had \$12,077,661 in cash disbursements related to governmental activities; \$2,255,394 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$10,753,290 were adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement debt service fund and building capital project fund. The general fund, the District's largest major fund, had cash receipts of \$9,934,219 in 2015. The cash disbursements and other financing uses of the general fund, totaled \$10,053,481 in 2015. The general fund's cash balance decreased \$119,262 from a cash balance of \$2,004,558 in 2014 to a cash balance of \$1,885,296 in 2015.
- The bond retirement debt service fund, a District major fund, had cash receipts of \$569,815 in 2015. Cash disbursements for 2015 totaled \$474,385. The bond retirement debt service fund cash balance increased \$95,430 from a cash balance of \$545,870 in 2014 to a cash balance of \$641,300 in 2015.
- The building capital project fund, a District major fund, had cash receipts and other financing sources of \$1,600,590 in 2015. Cash disbursements for 2015 totaled \$866,048. The building capital project fund cash balance for 2015 was \$734,542.

Using the Basic Financial Statements (BFS)

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

The statement of net position - 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 three major governmental funds. The general fund is the largest major fund.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2015?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position 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 position - cash basis and 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.

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, bond retirement debt service fund and building capital project fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles 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,

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

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.

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 position cash basis and changes in fiduciary net position cash basis. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the District's net pension liability.

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash position at June 30, 2015 and June 30, 2014.

	Net Cash Position	
	Governmental Activities 2015	Governmental Activities 2014
	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 3,880,007	\$ 2,948,984
Total assets	<u>3,880,007</u>	<u>2,948,984</u>
<u>Net Cash Position</u>		
Restricted	1,758,304	944,426
Unrestricted	<u>2,121,703</u>	<u>2,004,558</u>
Total net cash position	<u>\$ 3,880,007</u>	<u>\$ 2,948,984</u>

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WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)

The total net cash position of the District increased \$931,023 which represents a 31.57% increase from fiscal year 2014. The balance of government-wide unrestricted net cash position of \$2,121,703 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2015 and 2014.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	2015	2014
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,397,554	\$ 1,264,701
Operating grants and contributions	857,840	937,201
Total program cash receipts	<u>2,255,394</u>	<u>2,201,902</u>
General cash receipts:		
Property and other taxes	4,557,497	4,248,411
Unrestricted grants:		
Operating	4,550,944	4,759,191
Investment earnings	8,609	3,243
Proceeds of certificates of participation	1,600,000	-
Other	36,240	35,855
Total general cash receipts	<u>10,753,290</u>	<u>9,046,700</u>
Total cash receipts	<u>\$ 13,008,684</u>	<u>\$ 11,248,602</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	2015	2014
Cash Disbursements:		
Instruction:		
Regular	\$ 4,341,265	\$ 4,187,860
Special	1,021,010	905,745
Vocational	134,687	119,008
Other	16,450	7,234
Support services:		
Pupil	663,280	618,700
Instructional staff	505,328	441,992
Board of education	39,299	78,577
Administration	725,261	603,955
Fiscal	279,269	278,237
Business	14,166	18,510
Operations and maintenance	1,603,261	1,099,855
Pupil transportation	569,235	507,468
Central	38,704	36,230
Operation of non instructional services:		
Food service operations	383,119	390,629
Extracurricular	418,905	439,867
Facilities acquisition and construction	866,048	-
Debt service:		
Principal retirement	340,000	325,000
Interest and fiscal charges	118,374	129,090
Total cash disbursements	12,077,661	10,187,957
Change in net cash position	931,023	1,060,645
Net cash position at beginning of year	2,948,984	1,888,339
Net cash position at end of year	\$ 3,880,007	\$ 2,948,984

Governmental Activities

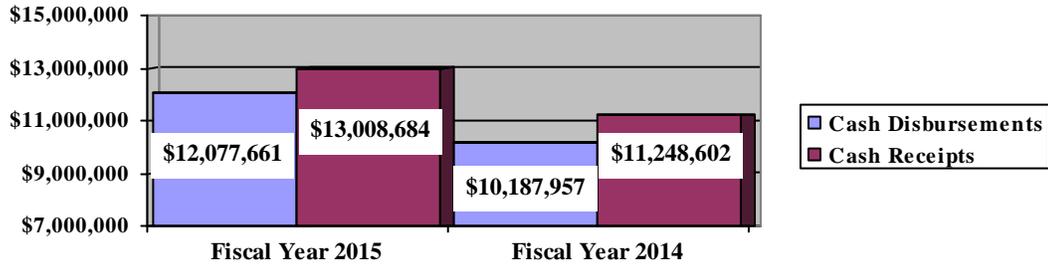
Governmental cash position increased by \$931,023 in 2015 from 2014. Total governmental disbursements of \$12,077,661 were offset by program receipts of \$2,255,394 and general receipts of \$10,753,290. Program receipts supported 18.67% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$5,513,412 or 45.65% of total governmental expenditures.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 70.02% of total governmental receipts. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Cash disbursements:				
Instruction:				
Regular	\$ 4,341,265	\$ 3,443,489	\$ 4,187,860	\$ 3,305,409
Special	1,021,010	278,412	905,745	244,237
Vocational	134,687	95,735	119,008	78,030
Other	16,450	16,450	7,234	5,406
Support services:				
Pupil	663,280	663,280	618,700	618,700
Instructional staff	505,328	487,917	441,992	416,372
Board of education	39,299	39,299	78,577	78,577
Administration	725,261	725,261	603,955	603,955
Fiscal	279,269	279,269	278,237	278,237
Business	14,166	10,566	18,510	14,910
Operations and maintenance	1,603,261	1,586,302	1,099,855	1,087,450
Pupil transportation	569,235	569,235	507,468	507,468
Central	38,704	38,704	36,230	36,230
Operation of non instructional services:				
Food service operations	383,119	4,742	390,629	(35,781)
Extracurricular	418,905	259,184	439,867	292,765
Facilities acquisition and construction	866,048	866,048	-	-
Debt service:				
Principal retirement	340,000	340,000	325,000	325,000
Interest and fiscal charges	118,374	118,374	129,090	129,090
Total	\$ 12,077,661	\$ 9,822,267	\$ 10,187,957	\$ 7,986,055

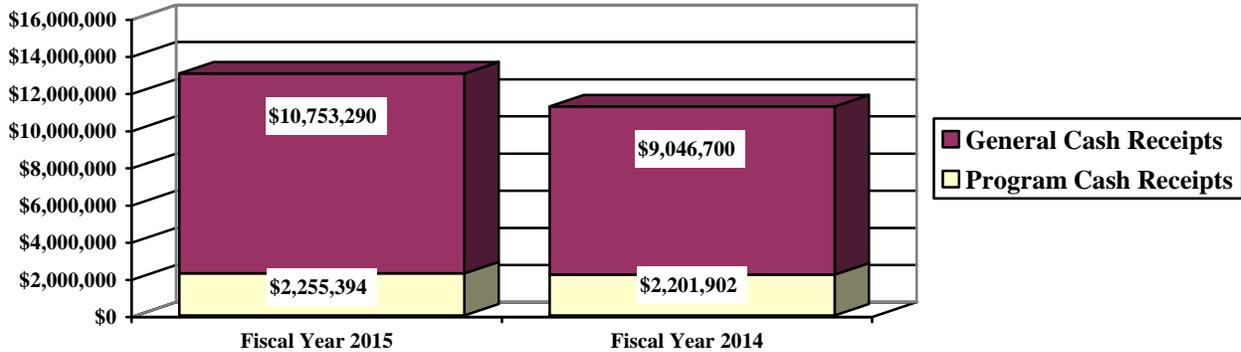
The dependence upon general cash receipts for governmental activities is apparent; with 81.33% of cash disbursements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)

supported through taxes and other general cash receipts during 2015.

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 \$3,880,007, which is \$931,023 above last year's total of \$2,948,984. This increase can be attributed to an increase in property and income taxes as well as intergovernmental receipts. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2015</u>	Fund Cash Balance <u>June 30, 2014</u>	<u>Change</u>
General	\$ 1,885,296	\$ 2,004,558	\$ (119,262)
Bond retirement	641,300	545,870	95,430
Building	734,542	-	734,542
Other nonmajor governmental funds	<u>618,869</u>	<u>398,556</u>	<u>220,313</u>
Total	<u>\$ 3,880,007</u>	<u>\$ 2,948,984</u>	<u>\$ 931,023</u>

General Fund

The general fund, the District's largest major fund, had cash receipts of \$9,934,219 in 2015. The cash disbursements and other financing uses of the general fund, totaled \$10,053,481 in 2015. The general fund's cash balance decreased \$119,262 or 5.95% from 2014 to 2015. This decrease can be attributed to an increase in instruction and support services disbursements.

The following two tables assist in illustrating the cash receipts and disbursements of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 4,021,452	\$ 3,684,892	9.13 %
Tuition	952,864	828,752	14.98 %
Earnings on investments	8,019	3,208	149.97 %
Other local revenues	111,445	108,018	3.17 %
Intergovernmental	<u>4,840,439</u>	<u>5,000,851</u>	(3.21) %
Total	<u>\$ 9,934,219</u>	<u>\$ 9,625,721</u>	3.20 %

The District's property taxes increased due to an increase in assessed values on which calendar year 2015 property tax receipts were based, affecting the second half of the District's fiscal year. The increase in tuition revenue is due to an increase in receipts relating to open enrollment. Earnings on investments increased \$4,811 due to an increase in interest rates earned on investments. All other receipts remained comparable to fiscal year 2014.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 5,123,803	\$ 4,889,931	4.78 %
Support services	4,359,371	3,617,579	20.51 %
Extracurricular	<u>303,126</u>	<u>315,611</u>	(3.96) %
Total	<u>\$ 9,786,300</u>	<u>\$ 8,823,121</u>	10.92 %

The increase in support services can be attributed to an increase in the rising costs of salaries and wages. All other disbursements remained comparable to fiscal year 2014.

Bond Retirement Fund

The bond retirement debt service fund, a District major fund, had cash receipts of \$569,815 in 2015. Cash disbursements for 2015 totaled \$474,385. The bond retirement debt service fund cash balance increased \$95,430 from a cash balance of \$545,870 in 2014 to a cash balance of \$641,300 in 2015.

Building Fund

The building capital project fund, a District major fund, had cash receipts and other financing sources of \$1,600,590 in 2015. Cash disbursements for 2015 totaled \$866,048. The building capital project fund cash balance for 2015 was \$734,542.

Budgeting Highlights - General Fund

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

For the general fund, final budgetary basis receipts of \$9,901,637 were greater than the original budget estimates of

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
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\$9,828,446. Actual cash receipts of \$9,901,617 were less than final budget estimates by \$20. The final budgetary basis disbursements and other financing uses of \$10,251,045 were more than the original budget estimates of \$9,912,791. The actual budgetary basis disbursements and other financing uses of \$10,238,845 were \$12,200 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.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2015 and 2014:

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
General obligation bonds	\$ 5,767,349	\$ 5,945,519
Certificates of participation	<u>1,600,000</u>	<u>-</u>
Total long-term obligations	<u>\$ 7,367,349</u>	<u>\$ 5,945,519</u>

Refer to Note 8 to the basic financial statements for further detail.

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. It 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 it has operated within its allotted budget since the community passed a 1% income tax in 1995. This income tax issue has been successfully renewed four times since its passage and generates approximately \$1,341,000 annually.

At the end of fiscal year 2014, after many years of cost containment, the district's finances stabilized. In order to ensure future fiscal stability, the district placed \$200,000 into a rainy day fund at the end of the fiscal year 2014 and in fiscal year 2015 with the intent to place \$200,000 into this fund each year for a five year period. It ended the year with an unencumbered/unreserved general fund balance of \$1,235,884. The District will continue to keep a close eye on receipts versus disbursements in future years in order to stay fiscally sound. The District's greatest concern remains planning for the resources needed to address its aging facilities. To tackle this, the District began in fiscal year 2014 to allocate 20% of its income tax proceeds to a Permanent Improvement Fund. It is the current intent to keep this allocation at 20% for a total of five years and then to reduce this to 10% thereafter. This allocation will enable the district to plan for capital needs without jeopardizing the health and predictability of the general fund.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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 Rhonda Feasel, Treasurer, Mohawk Local School District, 295 State Highway 231, Sycamore, OH 44882-9434, or phone at 419-927-2414 x4003.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,880,007
 Net cash position:	
Restricted for:	
Capital projects	\$ 734,542
Permanent fund - nonexpendable	10,004
Classroom facilities maintenance	232,726
Debt service.	641,300
Locally funded programs	11,688
Federally funded programs	15,493
Student activities	36,190
Other purposes	76,361
Unrestricted	2,121,703
Total net cash position.	\$ 3,880,007

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 4,341,265	\$ 895,693	\$ 2,083	\$ (3,443,489)
Special	1,021,010	88,894	653,704	(278,412)
Vocational	134,687	-	38,952	(95,735)
Other	16,450	-	-	(16,450)
Support services:				
Pupil	663,280	-	-	(663,280)
Instructional staff	505,328	-	17,411	(487,917)
Board of education	39,299	-	-	(39,299)
Administration	725,261	-	-	(725,261)
Fiscal	279,269	-	-	(279,269)
Business	14,166	-	3,600	(10,566)
Operations and maintenance	1,603,261	15,945	1,014	(1,586,302)
Pupil transportation	569,235	-	-	(569,235)
Central	38,704	-	-	(38,704)
Operation of non-instructional services:				
Food service operations	383,119	242,860	135,517	(4,742)
Extracurricular activities	418,905	154,162	5,559	(259,184)
Facilities acquisition & construction	866,048	-	-	(866,048)
Debt service:				
Principal retirement	340,000	-	-	(340,000)
Interest and fiscal charges	118,374	-	-	(118,374)
Total governmental activities	<u>\$ 12,077,661</u>	<u>\$ 1,397,554</u>	<u>\$ 857,840</u>	<u>(9,822,267)</u>

General cash receipts:

Property taxes levied for:	
General purposes	2,680,548
Debt service	492,800
Special revenue	43,245
Income taxes levied for:	
General purposes	1,340,904
Grants and entitlements not restricted to specific programs	
Investment earnings	8,609
Proceeds of certificates of participation	1,600,000
Miscellaneous	36,240
Total general cash receipts	<u>10,753,290</u>
Change in net cash position	931,023
Net cash position at beginning of year	<u>2,948,984</u>
Net cash position at end of year	<u>\$ 3,880,007</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 1,885,296	\$ 641,300	\$ 734,542	\$ 618,869	\$ 3,880,007
Fund cash balances:					
Nonspendable:					
Permanent fund	\$ -	\$ -	\$ -	\$ 10,004	\$ 10,004
Restricted:					
Debt service	-	641,300	-	-	641,300
Capital improvements	-	-	734,542	-	734,542
Classroom facilities maintenance	-	-	-	232,726	232,726
Food service operations	-	-	-	76,361	76,361
Special education	-	-	-	6,611	6,611
Targeted academic assistance	-	-	-	8,882	8,882
Other purposes.	-	-	-	11,688	11,688
Extracurricular.	-	-	-	36,190	36,190
Assigned:					
Student instruction	6,580	-	-	-	6,580
Student and staff support.	234,382	-	-	-	234,382
Extracurricular activities	8,450	-	-	-	8,450
Capital improvements	-	-	-	236,407	236,407
Unassigned	1,635,884	-	-	-	1,635,884
Total fund cash balances	<u>\$ 1,885,296</u>	<u>\$ 641,300</u>	<u>\$ 734,542</u>	<u>\$ 618,869</u>	<u>\$ 3,880,007</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Bond Retirement	Building	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:					
From local sources:					
Property taxes	\$ 2,680,548	\$ 492,800	\$ -	\$ 43,245	\$ 3,216,593
Income taxes	1,340,904	-	-	-	1,340,904
Tuition	952,864	-	-	-	952,864
Earnings on investments	8,019	-	590	154	8,763
Charges for services	-	-	-	242,860	242,860
Extracurricular	27,537	-	-	126,625	154,162
Classroom materials and fees	31,723	-	-	-	31,723
Rental income	15,945	-	-	-	15,945
Contributions and donations	6,915	-	-	5,559	12,474
Other local revenues	29,325	-	-	9,659	38,984
Intergovernmental - state	4,815,927	77,015	-	36,648	4,929,590
Intergovernmental - federal	24,512	-	-	439,310	463,822
Total cash receipts	<u>9,934,219</u>	<u>569,815</u>	<u>590</u>	<u>904,060</u>	<u>11,408,684</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	4,275,769	-	-	65,496	4,341,265
Special	696,897	-	-	324,113	1,021,010
Vocational	134,687	-	-	-	134,687
Other	16,450	-	-	-	16,450
Support services:					
Pupil	650,652	-	-	12,628	663,280
Instructional staff	500,056	-	-	5,272	505,328
Board of education	39,299	-	-	-	39,299
Administration	725,261	-	-	-	725,261
Fiscal	262,150	16,011	-	1,108	279,269
Business	10,566	-	-	3,600	14,166
Operations and maintenance	1,563,448	-	-	39,813	1,603,261
Pupil transportation	569,235	-	-	-	569,235
Central	38,704	-	-	-	38,704
Operation of non-instructional services:					
Food service operations	-	-	-	383,119	383,119
Extracurricular activities	303,126	-	-	115,779	418,905
Facilities acquisition and construction	-	-	866,048	-	866,048
Debt service:					
Principal retirement	-	340,000	-	-	340,000
Interest and fiscal charges	-	118,374	-	-	118,374
Total cash disbursements	<u>9,786,300</u>	<u>474,385</u>	<u>866,048</u>	<u>950,928</u>	<u>12,077,661</u>
Excess (deficiency) of cash receipts over (under) disbursements	<u>147,919</u>	<u>95,430</u>	<u>(865,458)</u>	<u>(46,868)</u>	<u>(668,977)</u>
Other financing sources (uses):					
Transfers in	-	-	-	267,181	267,181
Transfers (out)	(267,181)	-	-	-	(267,181)
Proceeds of certificate of participation	-	-	1,600,000	-	1,600,000
Total other financing sources (uses)	<u>(267,181)</u>	<u>-</u>	<u>1,600,000</u>	<u>267,181</u>	<u>1,600,000</u>
Net change in fund cash balances	(119,262)	95,430	734,542	220,313	931,023
Fund cash balances at beginning of year	<u>2,004,558</u>	<u>545,870</u>	<u>-</u>	<u>398,556</u>	<u>2,948,984</u>
Fund cash balances at end of year	<u>\$ 1,885,296</u>	<u>\$ 641,300</u>	<u>\$ 734,542</u>	<u>\$ 618,869</u>	<u>\$ 3,880,007</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary cash receipts:				
From local sources:				
Property taxes	\$ 2,660,648	\$ 2,680,554	\$ 2,680,548	\$ (6)
Income taxes.	1,330,946	1,340,904	1,340,904	-
Tuition.	945,789	952,865	952,864	(1)
Earnings on investments	7,959	8,019	8,019	-
Classroom materials and fees	31,488	31,724	31,723	(1)
Rental income	15,827	15,945	15,945	-
Contributions and donations	1,836	1,850	1,850	-
Other local revenues	29,267	29,328	29,325	(3)
Intergovernmental - state	4,780,172	4,815,934	4,815,927	(7)
Intergovernmental - federal	24,514	24,514	24,512	(2)
Total budgetary cash receipts	<u>9,828,446</u>	<u>9,901,637</u>	<u>9,901,617</u>	<u>(20)</u>
Budgetary cash disbursements:				
Current:				
Instruction:				
Regular	4,220,579	4,277,925	4,277,608	317
Special.	686,208	701,246	700,485	761
Vocational.	133,252	135,049	134,987	62
Other.	16,271	16,454	16,450	4
Support services:				
Pupil.	644,645	658,181	658,135	46
Instructional staff	475,397	499,580	499,560	20
Board of education	54,430	57,083	57,078	5
Administration.	717,576	729,912	729,872	40
Fiscal	259,267	264,176	264,167	9
Business	7,265	12,462	12,461	1
Operations and maintenance.	1,556,510	1,651,721	1,643,591	8,130
Pupil transportation	553,483	654,282	651,542	2,740
Central.	38,278	38,708	38,704	4
Extracurricular activities.	282,449	287,085	287,024	61
Total budgetary cash disbursements	<u>9,645,610</u>	<u>9,983,864</u>	<u>9,971,664</u>	<u>12,200</u>
Excess (deficiency) of budgetary cash receipts over (under) budgetary cash disbursements.	<u>182,836</u>	<u>(82,227)</u>	<u>(70,047)</u>	<u>12,180</u>
Other financing uses:				
Transfers (out).	(267,181)	(267,181)	(267,181)	-
Total other financing uses	<u>(267,181)</u>	<u>(267,181)</u>	<u>(267,181)</u>	<u>-</u>
Net change in fund cash balance	(84,345)	(349,408)	(337,228)	12,180
Fund cash balance at beginning of year . .	1,743,201	1,743,201	1,743,201	-
Prior year encumbrances appropriated . .	229,911	229,911	229,911	-
Fund cash balance at end of year	<u>\$ 1,888,767</u>	<u>\$ 1,623,704</u>	<u>\$ 1,635,884</u>	<u>\$ 12,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 14,077	\$ 102,258
Net cash position:		
Held in trust for scholarships	\$ 14,077	\$ -
Held for student activities.		102,258
Total net cash position.	<u>\$ 14,077</u>	<u>\$ 102,258</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 8
Gifts and contributions.	885
Total additions.	893
 Deductions:	
Scholarships awarded	1,950
Change in net cash position	(1,057)
Net cash position at beginning of year. . .	15,134
Net cash position at end of year	\$ 14,077

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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. It is staffed by 44 classified employees, 62 certified teaching personnel and 6 administrative employees who provide services to 943 students and other community members. The District currently operates one building that houses all students, staff and administrative personnel.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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 organization's Governing 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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, 2015
(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, Alan Binger, who serves as Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

META Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2015, the District paid META Solutions \$39,397 for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

INSURANCE PURCHASING POOLS

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

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

The Executive Director of Comp Management, 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 six 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, 2015
(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, 200 South Sycamore Avenue, P.O. Box 9, 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 and report all financial resources not accounted for and reported 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.

Bond retirement fund - The bond retirement fund is used to account for receipts and proceeds of bond issuance derived from levies for the retirement of debt and related interest.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Building fund – The building fund is used to account for the receipts and expenditures that are restricted to all special bond funds in the District.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest and (d) to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash position. 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 position - 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 business segment or 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.

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 2015 is as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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 Seneca 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 July 1, 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 of estimated resources issued for fiscal year 2015.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of control is the fund level, the District presents budgetary statements at the fund/function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. 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, 2015. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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 2015, investments were limited to certificates of deposit. Investments are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$8,019, which includes \$3,012 assigned from other funds.

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

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

G. Capital Assets

Acquisitions 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 Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Net Cash Position

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

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

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

M. 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 2015.

N. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

B. Change in Accounting Principles

For fiscal year 2015, the District has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the District's pension plan disclosures, as presented in Note 10 to the financial statements, and added required supplementary information which is presented immediately following the Notes to the Basic Financial Statements.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

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.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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 items 1 and 2 above 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 the State Treasury Asset Reserve of Ohio (STAR Ohio);

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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.

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.

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. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$3,996,342. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$3,803,142 of the District's bank balance of \$4,303,142 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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.

B. Reconciliation of Cash and Investments to the Statement of Net Cash Position

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	<u><u>\$ 3,996,342</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,880,007
Private - purpose trust funds	14,077
Agency funds	<u>102,258</u>
Total	<u><u>\$ 3,996,342</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	<u><u>\$ 267,181</u></u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wyandot, Seneca and Crawford Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 125,613,950	94.22	\$ 144,493,530	94.85
Public utility personal	<u>7,700,580</u>	<u>5.78</u>	<u>7,848,570</u>	<u>5.15</u>
Total	<u>\$ 133,314,530</u>	<u>100.00</u>	<u>\$ 152,342,100</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$42.13		\$40.80	

NOTE 7 - INCOME TAXES

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

NOTE 8 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2015, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2015</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
General obligation bonds:					
School improvement bonds:					
Series 2004 refunding bonds:					
Current interest bonds	\$ 255,000	\$ -	\$ (255,000)	\$ -	\$ -
Capital appreciation bonds	74,994	-	-	74,994	-
Accretion on capital bonds	179,647	32,798	-	212,445	-
Series 2012 refunding bonds:					
Current interest bonds	4,945,000	-	(85,000)	4,860,000	345,000
Capital appreciation bonds	344,995	-	-	344,995	-
Accretion on capital bonds	145,883	129,032	-	274,915	-
2015 certificates of participation	<u>-</u>	<u>1,600,000</u>	<u>-</u>	<u>1,600,000</u>	<u>155,000</u>
Total long-term obligations, governmental activities	<u>\$ 5,945,519</u>	<u>\$ 1,761,830</u>	<u>\$ (340,000)</u>	<u>\$ 7,367,349</u>	<u>\$ 500,000</u>

**MOHAWK LOCAL SCHOOL DISTRICT
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Mohawk Local School Improvement Bonds (2004)

During fiscal year 2004, the District issued \$7,869,994 in general obligation bonds to provide funds for the construction of a new building to house grades pre-kindergarten through 12 (hereinafter called Construction Project). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a major governmental fund). The source of payment is derived from a current 5.99 mil bonded debt tax levy for the Construction Project. The Construction Project was completed during fiscal year 2008.

The majority of these bonds were refunded in fiscal year 2013 with the issuance of Series 2012 Refunding Bonds leaving a balance of \$255,000 at June 30, 2014. The final principal payment was made on December 1, 2014.

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 was December 1, 2014.

The capital appreciation bonds mature on December 1, 2021 and December 1, 2022 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$335,000 and \$335,000 with \$595,006 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2015 is \$212,445.

Series 2012 School Improvement Refunding Bonds

On November 27, 2012, the District issued series 2012 school improvement refunding bonds to refund the callable portion of the series 2004 general obligation bonds (principal \$5,370,000). The balance of the refunded general obligation current interest bonds at June 30, 2015, is \$4,860,000.

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$5,025,000 and \$344,995, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.00%. The current interest bonds mature on December 1, 2031 and will be retired through the bond retirement fund. The capital appreciation bonds mature on December 1, 2016, December 1, 2017 and December 1, 2018 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$365,000, \$365,000 and \$360,000 with \$745,005 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2015 is \$274,915.

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

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Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 345,000	\$ 112,806	\$ 457,806	\$ -	\$ -	\$ -
2017	-	99,007	99,007	143,135	221,865	365,000
2018	-	99,007	99,007	113,340	251,660	365,000
2019	-	99,007	99,007	88,520	271,480	360,000
2020	360,000	99,006	459,006	-	-	-
2021 - 2025	1,220,000	417,330	1,637,330	74,994	595,006	670,000
2026 - 2030	2,050,000	254,556	2,304,556	-	-	-
2031 - 2032	885,000	35,625	920,625	-	-	-
Total	<u>\$ 4,860,000</u>	<u>\$ 1,216,344</u>	<u>\$ 6,076,344</u>	<u>\$ 419,989</u>	<u>\$ 1,340,011</u>	<u>\$ 1,760,000</u>

2015 Certificates of Participation - On March 12, 2015, the District issued certificates of participation in the amount of \$1,600,000, to provide funds for a new HVAC system. This debt was issued for a ten year period, with final maturity during fiscal year 2025. The debt will be retired through the permanent improvement capital project fund.

The debt maturing on December 1, 2024 is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal and interest amounts as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2016	\$ 155,000	\$ 29,936	\$ 184,936
2017	150,000	27,647	177,647
2018	150,000	25,397	175,397
2019	155,000	23,110	178,110
2020	155,000	20,785	175,785
2021 - 2025	835,000	49,879	884,879
Total	<u>\$ 1,600,000</u>	<u>\$ 176,754</u>	<u>\$ 1,776,754</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$9,072,100 (including available funds of \$641,300) and an unvoted debt margin of \$152,342.

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(Continued)

NOTE 9 - 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 2015, the District contracted for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Insurance provided by GUA Insurance Company Building and Contents - replacement cost (\$1,000 deductible)	\$43,384,721
Insurance provided by GUA Insurance Company	
Automotive Liability	1,000,000
Uninsured motorists	1,000,000
General liability	
Per occurrence	1,000,000
Aggregate	3,000,000

Settled claims have not exceeded these coverages 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 six 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 members' claims are paid without regard to the members account balance. The Association Board of Directors has the right to return or not return monies to an existing participating member subsequent to the settlement of all expenses and claims.

C. Workers' Compensation

For fiscal year 2015, the District participated in the OASBO/OSBA/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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(Continued)

NOTE 10 - PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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(Continued)

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$164,545 for fiscal year 2015.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the

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(Continued)**

retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$497,146 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

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	SERS	STRS Ohio	Total
Proportionate share of the net pension liability	\$2,025,997	\$8,148,250	\$10,174,247
Proportion of the net pension liability	0.040032%	0.03349955%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums

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for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target		Long Term Expected	
	Allocation		Real Rate of Return	
Cash	1.00	%	0.00	%
US Stocks	22.50		5.00	
Non-US Stocks	22.50		5.50	
Fixed Income	19.00		1.50	
Private Equity	10.00		10.00	
Real Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
Total	100.00	%		

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$2,890,495	\$2,025,997	\$1,298,879

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio’s investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$11,665,108	\$8,148,250	\$5,174,171

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the

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statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,450.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$27,541, \$19,630 and \$17,466, respectively; 91.14 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$8,697, \$8,858 and \$8,712, respectively; 91.14 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the Plan) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$35,392 and \$36,016, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

NOTE 12 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

B. Litigation

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

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (337,228)
Funds budgeted elsewhere	6,075
Adjustment for encumbrances	<u>211,891</u>
Cash basis	<u>\$ (119,262)</u>

The public school support fund is legally budgeted as a separate special revenue fund; however, it is considered part of the general fund for financial reporting purposes.

NOTE 14 - STATUTORY RESERVES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2014	\$ -
Current year set-aside requirement	163,386
Current year qualifying expenditures	<u>(372,768)</u>
Total	<u>\$ (209,382)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

The Board established a budget stabilization reserve on June 16, 2014 within the General Fund. As of June 30, 2015, the balance in the reserve was \$400,000.

NOTE 15 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	Year-End
<u>Fund Type</u>	<u>Encumbrances</u>
General fund	\$ 219,102
Building fund	734,182
Other nonmajor governmental	<u>173,090</u>
Total	\$ <u>1,126,374</u>

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS*

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04003200%	0.04003200%
District's proportionate share of the net pension liability	\$ 2,025,997	\$ 2,380,575
District's covered-employee payroll	\$ 1,175,321	\$ 1,163,257
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.38%	204.65%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS*

	2015	2014
District's proportion of the net pension liability	0.03349955%	0.03349955%
District's proportionate share of the net pension liability	\$ 8,148,250	\$ 9,706,142
District's covered-employee payroll	\$ 3,551,040	\$ 3,422,729
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.46%	283.58%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2015	2014
Contractually required contribution	\$ 164,545	\$ 162,856
Contributions in relation to the contractually required contribution	(164,545)	(162,856)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 1,175,321	\$ 1,163,257
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2014 was unavailable.

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

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 497,146	\$ 479,182
Contributions in relation to the contractually required contribution	<u>(497,146)</u>	<u>(479,182)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,551,040	\$ 3,422,729
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2014 was unavailable.

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

**NOTES TO OTHER INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 44882-9434

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis 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 years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 8, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

May 8, 2017

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance Citation

Ohio Rev. Code § 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 Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

For fiscal years 2016 and 2015, as a cost savings measure, 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 § 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 in accordance with generally accepted accounting principles.

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 costs, but audit costs as well. The financial statements were prepared in a GAAP look-alike format. The District does not intend to take any further corrective action and will pay the small fine that is levied.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	Not Corrected. Repeated in this report as finding 2016-001.	The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interest of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal years ended June 30, 2016 and 2015 and made the decision that the significant dollars saved, outweighed the potential benefit received.



Dave Yost • 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
MAY 23, 2017**