



Dave Yost • Auditor of State



**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio, as of June 30, 2010, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Classroom Facilities Maintenance Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 25, 2011

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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, 2010, 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 2010 are as follows:

- The total net cash assets of the District increased \$129,922 or 6.92% from fiscal year 2009.
- General cash receipts accounted for \$8,256,436 or 78.47% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,265,245 or 21.53% of total governmental activities cash receipts.
- The District had \$10,391,759 in cash disbursements related to governmental activities; \$2,265,245 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 \$8,256,436 were adequate to provide for these programs.
- The District's major funds are the general fund, classroom facilities maintenance special revenue fund and classroom facilities capital projects fund. The general fund, the District's largest major fund, had cash receipts of \$8,551,943 in 2010. The cash disbursements and other financing uses of the general fund, totaled \$8,248,719 in 2010. The general fund's cash balance increased \$303,224 or 48.30% from 2009 to 2010.
- The classroom facilities maintenance special revenue fund, a District major fund, had cash receipts of \$69,548 and cash disbursements of \$66,241 in 2010. The classroom facilities maintenance special revenue fund cash balance increased \$3,307 or 1.55% from 2009 to 2010.
- The classroom facilities capital projects fund, a District major fund, had cash receipts of \$2,576 in 2010. The classroom facilities capital projects fund had cash disbursements of \$46,828 in 2010. The classroom facilities capital projects fund cash balance decreased \$44,252 or 7.56% from 2009 to 2010.

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

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis***

The statement of net assets - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2010?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

In the statement of net assets - cash basis and statement of activities - cash basis the governmental activities include District's programs and services including instruction, support services, operation of non-instructional services, extracurricular activities, facilities acquisition and construction, and debt service.

The statement of net assets - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, classroom facilities maintenance special revenue fund and classroom facilities capital projects fund. The analysis of the District's major governmental funds begins on page 9.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund and classroom facilities maintenance special revenue fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on pages 17-18 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets cash basis and changes in fiduciary net assets cash basis on pages 19-20. 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. The notes to the financial statements can be found on pages 21-39 of this report.

***Government-Wide Financial Analysis***

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

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

The table below provides a summary of the District's net cash assets at June 30, 2010 and June 30, 2009.

	<b>Net Cash Assets</b>	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 2,008,621	\$ 1,878,699
Total assets	<u>2,008,621</u>	<u>1,878,699</u>
<u>Net Cash Assets</u>		
Restricted	1,088,685	1,250,955
Unrestricted	<u>919,936</u>	<u>627,744</u>
Total net cash assets	<u>\$ 2,008,621</u>	<u>\$ 1,878,699</u>

The total net cash assets of the District increased \$129,922 which represents a 6.92% increase from fiscal year 2009. The balance of government-wide unrestricted net cash assets of \$919,936 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2010 and 2009.

	<b>Change in Net Cash Assets</b>	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 1,288,469	\$ 1,211,946
Operating grants and contributions	973,957	1,132,658
Capital grants and contributions	<u>2,819</u>	<u>11,049</u>
Total program cash receipts	<u>2,265,245</u>	<u>2,355,653</u>
General cash receipts:		
Property and other taxes	3,559,488	3,686,838
Unrestricted grants:		
Operating	4,661,755	4,231,924
Investment earnings	15,089	40,510
Other	<u>20,104</u>	<u>10,782</u>
Total general cash receipts	<u>8,256,436</u>	<u>7,970,054</u>
Total cash receipts	<u>\$ 10,521,681</u>	<u>\$ 10,325,707</u>

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

	<b>Change in Net Cash Assets</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2010</u>	<u>2009</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 4,232,739	\$ 4,128,806
Special	1,063,007	1,219,428
Vocational	115,775	107,699
Adult	3	908
Other	24,194	19,100
Support services:		
Pupil	451,856	357,099
Instructional staff	662,553	396,317
Board of education	52,901	32,343
Administration	629,706	639,080
Fiscal	250,381	297,459
Business	30,184	29,880
Operations and maintenance	898,758	843,796
Pupil transportation	530,088	503,785
Central	39,189	37,605
Operation of non instructional services	823	110
Food service operations	406,946	382,017
Extracurricular	423,804	379,081
Facilities acquisition and construction	72,094	158,508
Debt service:		
Principal retirement	220,000	210,000
Interest and fiscal charges	<u>286,758</u>	<u>292,408</u>
Total cash disbursements	<u>10,391,759</u>	<u>10,035,429</u>
Change in net cash assets	129,922	290,278
Net cash assets at beginning of year	<u>1,878,699</u>	<u>1,588,421</u>
Net cash assets at end of year	<u>\$ 2,008,621</u>	<u>\$ 1,878,699</u>

**Governmental Activities**

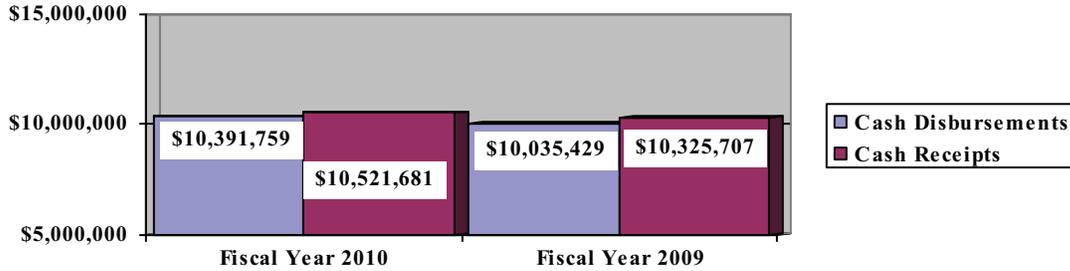
Governmental cash assets increased by \$129,922 in 2010 from 2009. Total governmental disbursements of \$10,391,759 were offset by program receipts of \$2,265,245 and general receipts of \$8,256,436. Program receipts supported 21.80% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$5,435,718 or 52.31% 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 78.14% of total governmental receipts. Real estate property is reappraised every six years.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



**Governmental Activities**

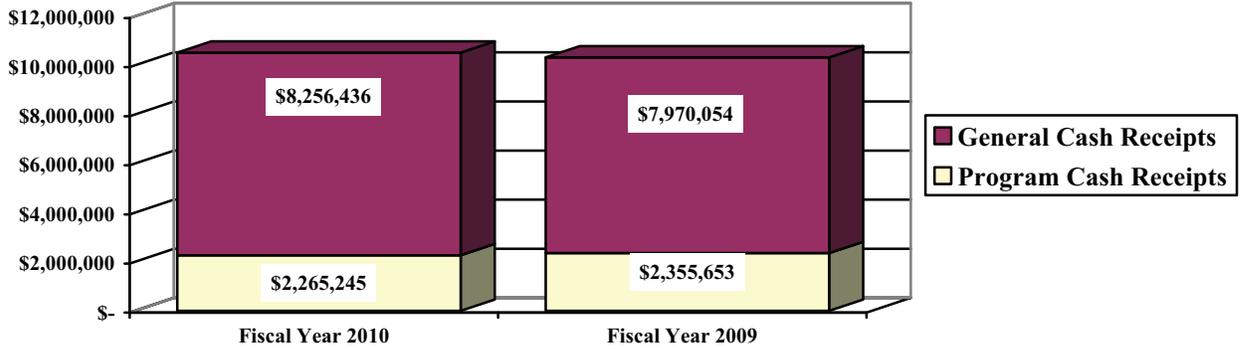
	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 4,232,739	\$ 3,362,692	\$ 4,128,806	\$ 3,559,640
Special	1,063,007	812,797	1,219,428	363,128
Vocational	115,775	96,041	107,699	88,123
Adult	3	3	908	908
Other	24,194	24,194	19,100	19,100
Support services:				
Pupil	451,856	411,532	357,099	330,251
Instructional staff	662,553	438,258	396,317	371,013
Board of education	52,901	52,901	32,343	24,679
Administration	629,706	503,570	639,080	638,626
Fiscal	250,381	250,381	297,459	297,459
Business	30,184	25,611	29,880	23,880
Operations and maintenance	898,758	875,828	843,796	840,160
Pupil transportation	530,088	482,792	503,785	244,207
Central	39,189	34,189	37,605	32,605
Operation of non instructional services	823	122	110	(17)
Food service operations	406,946	9,652	382,017	4,144
Extracurricular	423,804	167,099	379,081	180,954
Facilities acquisition and construction	72,094	72,094	158,508	158,508
Debt service:				
Principal retirement	220,000	220,000	210,000	210,000
Interest and fiscal charges	286,758	286,758	292,408	292,408
<b>Total</b>	<b>\$ 10,391,759</b>	<b>\$ 8,126,514</b>	<b>\$ 10,035,429</b>	<b>\$ 7,679,776</b>

The dependence upon general cash receipts for governmental activities is apparent; with 78.20% of cash disbursements supported through taxes and other general cash receipts during 2010.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The District's governmental funds reported a combined fund cash balance of \$2,008,621, which is \$129,922 above last year's total of \$1,878,699. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2010 and June 30, 2009, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2010</u>	Fund Cash Balance <u>June 30, 2009</u>	Increase <u>(Decrease)</u>
General	\$ 930,968	\$ 627,744	\$ 303,224
Classroom facilities maintenance	216,544	213,237	3,307
Classroom facilities	540,970	585,222	(44,252)
Other nonmajor governmental funds	<u>320,139</u>	<u>452,496</u>	<u>(132,357)</u>
Total	<u>\$ 2,008,621</u>	<u>\$ 1,878,699</u>	<u>\$ 129,922</u>

**General Fund**

The District's major funds are the general fund, classroom facilities maintenance special revenue fund and classroom facilities capital projects fund. The general fund, the District's largest major fund, had cash receipts of \$8,551,943 in 2010. The cash disbursements and other financing uses of the general fund, totaled \$8,248,719 in 2010. The general fund's cash balance increased \$303,224 or 48.30% from 2009 to 2010. The table that follows assists in illustrating the cash receipts of the general fund.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 3,074,809	\$ 3,212,957	(4.30) %
Tuition	703,123	675,998	4.01 %
Earnings on investments	10,677	19,733	(45.89) %
Other local revenues	156,399	137,926	13.39 %
Intergovernmental	<u>4,606,935</u>	<u>4,752,119</u>	(3.06) %
Total	<u>\$ 8,551,943</u>	<u>\$ 8,798,733</u>	(2.80) %

Tuition receipts increased \$27,125 as a result of increasing open enrollment and earnings on investments decreased 45.89% primarily due to a decrease in interest rates on investments. All other revenue remained comparable to fiscal year 2009.

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

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 5,025,818	\$ 5,199,954	(3.35) %
Support services	2,955,551	3,021,124	(2.17) %
Extracurricular	<u>238,940</u>	<u>239,545</u>	(0.25) %
Total	<u>\$ 8,220,309</u>	<u>\$ 8,460,623</u>	(2.84) %

Overall, cash disbursements decreased \$240,314 primarily due to a decrease in instruction disbursements of \$174,136 primarily due to the elimination of teaching positions necessary to remain fiscally stable. All other cash disbursements remained comparable to fiscal year 2009.

***Classroom Facilities Maintenance Fund***

The classroom facilities maintenance special revenue fund, a District major fund, had cash receipts of \$69,548 and cash disbursements of \$66,241 in 2010. The classroom facilities maintenance special revenue fund cash balance increased \$3,307 or 1.55% from 2009 to 2010.

***Classroom Facilities Fund***

The classroom facilities capital projects fund, a District major fund, had cash receipts of \$2,576 in 2010. The classroom facilities capital projects fund had cash disbursements of \$46,828 in 2010. The classroom facilities capital projects fund cash balance decreased \$44,252 or 7.56% from 2009 to 2010.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

***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 \$8,581,460 were lower than the original budget estimates of \$8,601,017. Actual cash receipts of \$8,551,943 were less than final budget estimates by \$29,517. The final budgetary basis disbursements and other financing uses of \$8,616,522 were less than the original budget estimates of \$8,763,332. The actual budgetary basis disbursements and other financing uses of \$8,253,970 were \$362,552 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$72,094 during fiscal year 2010.

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2010 and 2009:

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
General obligation bonds	<u>\$ 6,716,840</u>	<u>\$ 6,918,944</u>
Total long-term obligations	<u>\$ 6,716,840</u>	<u>\$ 6,918,944</u>

Refer to Note 7 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 three times since its passage and generates approximately \$1,100,000.

The States current biennium budget provides no new revenues for the district. The District is receiving 3% less from the State during the biennium and expecting at least 5% less during the next biennium. Fourteen teaching positions have been eliminated since the 2008 school year. After two failed levy attempts and a failed income tax attempt, along with the elimination of teaching positions, the district implemented a pay to participate fee of \$200 per high school student and a \$100 per junior high school student in order to avoid future budget deficits.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

The district maintained fiscal stability in fiscal year 2010 ending the year with an unencumbered General fund balance of \$925,715. The District will continue to call upon all of its financial abilities to meet the challenges the future will bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roy B. Swartz, Treasurer, Mohawk Local School District, 605 St. Highway 231, Sycamore, OH 44882-9434, or phone at 419-927-6222 x1111.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,008,621
Total assets. . . . .	2,008,621
 <b>Net Cash Assets:</b>	
Restricted for:	
Capital projects . . . . .	582,271
Perpetual care:	
Expendable . . . . .	625
Nonexpendable . . . . .	10,101
Classroom facilities maintenance . . . . .	216,544
Debt service. . . . .	177,235
State funded programs. . . . .	3,138
Federally funded programs . . . . .	1,438
Public school support . . . . .	26,035
Student activities . . . . .	47,835
Other purposes . . . . .	23,463
Unrestricted . . . . .	919,936
Total net cash assets . . . . .	\$ 2,008,621

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Expenses	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,232,739	\$ 750,007	\$ 120,040	\$ -	\$ (3,362,692)
Special . . . . .	1,063,007	-	250,210	-	(812,797)
Vocational . . . . .	115,775	-	19,734	-	(96,041)
Adult/continuing . . . . .	3	-	-	-	(3)
Other . . . . .	24,194	-	-	-	(24,194)
Support services:					
Pupil . . . . .	451,856	-	40,324	-	(411,532)
Instructional staff . . . . .	662,553	-	224,295	-	(438,258)
Board of education . . . . .	52,901	-	-	-	(52,901)
Administration . . . . .	629,706	-	126,136	-	(503,570)
Fiscal . . . . .	250,381	-	-	-	(250,381)
Business . . . . .	30,184	-	4,573	-	(25,611)
Operations and maintenance . . . . .	898,758	20,111	-	2,819	(875,828)
Pupil transportation . . . . .	530,088	-	47,296	-	(482,792)
Central . . . . .	39,189	-	5,000	-	(34,189)
Operation of non-instructional services:					
Other non-instructional services . . . . .	823	-	701	-	(122)
Food service operations . . . . .	406,946	269,026	128,268	-	(9,652)
Extracurricular activities . . . . .	423,804	249,325	7,380	-	(167,099)
Facilities acquisition and construction . . . . .	72,094	-	-	-	(72,094)
Debt service:					
Principal retirement . . . . .	220,000	-	-	-	(220,000)
Interest and fiscal charges . . . . .	286,758	-	-	-	(286,758)
<b>Totals . . . . .</b>	<b>\$ 10,391,759</b>	<b>\$ 1,288,469</b>	<b>\$ 973,957</b>	<b>\$ 2,819</b>	<b>(8,126,514)</b>

**General Cash Receipts:**

Property taxes levied for:	
General purposes . . . . .	1,972,156
Debt service . . . . .	444,366
Special revenue . . . . .	40,313
Income taxes levied for:	
General purposes . . . . .	1,102,653
Grants and entitlements not restricted	
to specific programs . . . . .	4,661,755
Investment earnings . . . . .	15,089
Miscellaneous . . . . .	20,104
<b>Total general cash receipts . . . . .</b>	<b>8,256,436</b>
Change in net cash assets . . . . .	129,922
<b>Net cash assets at beginning of year . . . . .</b>	<b>1,878,699</b>
<b>Net cash assets at end of year . . . . .</b>	<b>\$ 2,008,621</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General	Classroom Facilities Maintenance	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 930,968	\$ 216,544	\$ 540,970	\$ 320,139	\$ 2,008,621
Total assets . . . . .	<u>\$ 930,968</u>	<u>\$ 216,544</u>	<u>\$ 540,970</u>	<u>\$ 320,139</u>	<u>\$ 2,008,621</u>
<b>Fund Cash Balances:</b>					
Reserved for encumbrances . . . . .	\$ 5,251	\$ 4,400	\$ 54,585	\$ 1,490	\$ 65,726
Reserved for debt service . . . . .	-	-	-	177,235	177,235
Unreserved, undesignated, reported in:					
General fund . . . . .	925,717	-	-	-	925,717
Special revenue funds . . . . .	-	212,144	-	90,877	303,021
Capital projects funds . . . . .	-	-	486,385	39,811	526,196
Permanent funds . . . . .	-	-	-	10,726	10,726
Total fund cash balances . . . . .	<u>\$ 930,968</u>	<u>\$ 216,544</u>	<u>\$ 540,970</u>	<u>\$ 320,139</u>	<u>\$ 2,008,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General	Classroom Facilities Maintenance	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Cash receipts:</b>					
From local sources:					
Property taxes . . . . .	\$ 1,972,156	\$ 40,313	\$ -	\$ 444,366	\$ 2,456,835
Income taxes . . . . .	1,102,653	-	-	-	1,102,653
Tuition . . . . .	703,123	-	-	-	703,123
Earnings on investments . . . . .	10,677	695	2,576	1,559	15,507
Charges for services . . . . .	-	-	-	269,026	269,026
Extracurricular . . . . .	69,300	-	-	180,025	249,325
Classroom materials and fees . . . . .	43,050	-	-	-	43,050
Rental income . . . . .	20,111	-	-	-	20,111
Contributions and donations . . . . .	1,536	-	-	9,861	11,397
Contract services . . . . .	3,834	-	-	-	3,834
Other local revenues . . . . .	18,568	-	-	-	18,568
Intergovernmental - intermediate . . . . .	-	-	-	2,500	2,500
Intergovernmental - state . . . . .	4,581,636	28,540	-	63,117	4,673,293
Intergovernmental - federal . . . . .	25,299	-	-	927,160	952,459
<b>Total cash receipts . . . . .</b>	<b>8,551,943</b>	<b>69,548</b>	<b>2,576</b>	<b>1,897,614</b>	<b>10,521,681</b>
<b>Cash disbursements:</b>					
Current:					
Instruction:					
Regular . . . . .	4,112,224	-	-	120,515	4,232,739
Special . . . . .	773,622	-	-	289,385	1,063,007
Vocational . . . . .	115,775	-	-	-	115,775
Adult/continuing . . . . .	3	-	-	-	3
Other . . . . .	24,194	-	-	-	24,194
Support services:					
Pupil . . . . .	406,080	-	-	45,776	451,856
Instructional staff . . . . .	402,893	-	-	259,660	662,553
Board of education . . . . .	52,901	-	-	-	52,901
Administration . . . . .	503,570	-	-	126,136	629,706
Fiscal . . . . .	238,939	952	-	10,490	250,381
Business . . . . .	25,611	-	-	4,573	30,184
Operations and maintenance . . . . .	833,469	65,289	-	-	898,758
Pupil transportation . . . . .	485,565	-	-	44,523	530,088
Central . . . . .	6,523	-	-	32,666	39,189
Operation of non-instructional . . . . .	-	-	-	823	823
Food service operations . . . . .	-	-	-	406,946	406,946
Extracurricular activities . . . . .	238,940	-	-	184,864	423,804
Facilities acquisition and construction . . . . .	-	-	46,828	25,266	72,094
Debt service:					
Principal retirement . . . . .	-	-	-	220,000	220,000
Interest and fiscal charges . . . . .	-	-	-	286,758	286,758
<b>Total cash disbursements . . . . .</b>	<b>8,220,309</b>	<b>66,241</b>	<b>46,828</b>	<b>2,058,381</b>	<b>10,391,759</b>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	331,634	3,307	(44,252)	(160,767)	129,922
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	28,410	28,410
Transfers (out) . . . . .	(28,410)	-	-	-	(28,410)
<b>Total other financing sources (uses) . . . . .</b>	<b>(28,410)</b>	<b>-</b>	<b>-</b>	<b>28,410</b>	<b>-</b>
Net change in fund cash balances . . . . .	303,224	3,307	(44,252)	(132,357)	129,922
<b>Fund cash balances at beginning of year . . . . .</b>	<b>627,744</b>	<b>213,237</b>	<b>585,222</b>	<b>452,496</b>	<b>1,878,699</b>
<b>Fund cash balances at end of year . . . . .</b>	<b>\$ 930,968</b>	<b>\$ 216,544</b>	<b>\$ 540,970</b>	<b>\$ 320,139</b>	<b>\$ 2,008,621</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,983,473	\$ 1,969,012	\$ 1,972,156	\$ 3,144
Income taxes . . . . .	1,108,980	1,100,895	1,102,653	1,758
Tuition . . . . .	707,158	702,002	703,123	1,121
Earnings on investments . . . . .	10,738	10,660	10,677	17
Extracurricular . . . . .	69,698	69,190	69,300	110
Classroom materials and fees . . . . .	43,297	42,981	43,050	69
Rental income . . . . .	20,226	20,079	20,111	32
Contributions and donations . . . . .	1,545	1,534	1,536	2
Contract services . . . . .	3,856	3,828	3,834	6
Other local revenues . . . . .	18,675	36,390	18,568	(17,822)
Intergovernmental - state . . . . .	4,607,927	4,574,331	4,581,636	7,305
Intergovernmental - federal . . . . .	25,444	50,558	25,299	(25,259)
<b>Total budgetary basis receipts . . . . .</b>	<b><u>8,601,017</u></b>	<b><u>8,581,460</u></b>	<b><u>8,551,943</u></b>	<b><u>(29,517)</u></b>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	4,217,057	4,146,408	4,112,238	34,170
Special . . . . .	889,611	874,708	773,622	101,086
Vocational . . . . .	121,486	119,451	115,775	3,676
Adult/continuing . . . . .	3	3	3	-
Other . . . . .	24,674	24,261	24,194	67
Support Services:				
Pupil . . . . .	417,225	410,235	406,080	4,155
Instructional staff . . . . .	437,385	430,058	402,923	27,135
Board of education . . . . .	61,375	60,347	57,293	3,054
Administration . . . . .	584,170	574,384	503,770	70,614
Fiscal . . . . .	275,011	270,404	238,939	31,465
Business . . . . .	30,686	30,172	25,611	4,561
Operations and maintenance . . . . .	875,182	860,520	833,619	26,901
Pupil transportation . . . . .	522,964	514,203	486,015	28,188
Central . . . . .	12,280	12,074	6,523	5,551
Extracurricular activities . . . . .	265,329	260,884	238,955	21,929
<b>Total budgetary basis disbursements . . . . .</b>	<b><u>8,734,438</u></b>	<b><u>8,588,112</u></b>	<b><u>8,225,560</u></b>	<b><u>362,552</u></b>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>(133,421)</u>	<u>(6,652)</u>	<u>326,383</u>	<u>333,035</u>
<b>Other financing (uses):</b>				
Transfers (out) . . . . .	<u>(28,894)</u>	<u>(28,410)</u>	<u>(28,410)</u>	<u>-</u>
<b>Total other financing (uses) . . . . .</b>	<b><u>(28,894)</u></b>	<b><u>(28,410)</u></b>	<b><u>(28,410)</u></b>	<b><u>-</u></b>
Net change in fund cash balance . . . . .	(162,315)	(35,062)	297,973	333,035
<b>Fund cash balance at beginning of year . . . . .</b>	<b>626,737</b>	<b>626,737</b>	<b>626,737</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,007</b>	<b>1,007</b>	<b>1,007</b>	<b>-</b>
<b>Fund cash balance at end of year . . . . .</b>	<b><u>\$ 465,429</u></b>	<b><u>\$ 592,682</u></b>	<b><u>\$ 925,717</u></b>	<b><u>\$ 333,035</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
CLASSROOM FACILITIES MAINTENANCE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 45,453	\$ 45,453	\$ 40,313	\$ (5,140)
Earnings on investments . . . . .	784	784	695	(89)
Intergovernmental - state . . . . .	<u>32,179</u>	<u>32,179</u>	<u>28,540</u>	<u>(3,639)</u>
Total budgetary basis receipts . . . . .	<u>78,416</u>	<u>78,416</u>	<u>69,548</u>	<u>(8,868)</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Support Services:				
Fiscal . . . . .	1,160	1,160	952	208
Operations and maintenance . . . . .	<u>77,167</u>	<u>77,167</u>	<u>69,689</u>	<u>7,478</u>
Total budgetary basis disbursements . . . . .	<u>78,327</u>	<u>78,327</u>	<u>70,641</u>	<u>7,686</u>
Net change in fund cash balance . . . . .	89	89	(1,093)	(1,182)
<b>Fund cash balance at beginning of year . . . . .</b>	207,429	207,429	207,429	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>5,808</u>	<u>5,808</u>	<u>5,808</u>	<u>-</u>
<b>Fund cash balance at end of year . . . . .</b>	<u>\$ 213,326</u>	<u>\$ 213,326</u>	<u>\$ 212,144</u>	<u>\$ (1,182)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2010**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 12,921	\$ 52,103
Total assets. . . . .	\$ 12,921	\$ 52,103
<b>Net cash assets:</b>		
Held in trust for scholarships . . . . .	\$ 12,921	\$ -
Held for student activities . . . . .	-	52,103
Total net cash assets . . . . .	\$ 12,921	\$ 52,103

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 106
Gifts and contributions. . . . .	500
Total additions. . . . .	606
 <b>Deductions:</b>	
Scholarships awarded . . . . .	900
Change in net cash assets . . . . .	(294)
<b>Net cash assets at beginning of year . . . . .</b>	<b>13,215</b>
<b>Net cash assets at end of year. . . . .</b>	<b>\$ 12,921</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred twenty-five square miles. It is located in Wyandot, Seneca, and Crawford Counties. The District is the 504<sup>th</sup> largest in the State of Ohio (among 934 school districts and community schools) in terms of enrollment. It is staffed by 50 noncertified employees, 58 certified teaching personnel and 4 administrative employees who provide services to 950 students and other community members. The District currently operates one building that houses all students, staff and administrative personnel.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the 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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**A. Reporting Entity - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Vanguard-Sentinel Joint Vocational School

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

Tri-Rivers Educational Computer Association

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from Mike Carder, who serves as Director, 100 Executive Drive, Marion, Ohio 43302.

North Central Regional Professional Development Center

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Lorraine Earnest, Mid-Ohio Educational Service Center, 890 West Fourth Street, Suite 100, Mansfield, Ohio 44906.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**A. Reporting Entity - (Continued)**

Northwestern Ohio Educational Research Council, Inc.

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

*INSURANCE PURCHASING POOLS*

Sheakley Uniservice, Inc.

The District participates in a group rating program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Sheakley Uniservice, Inc. Workers' Compensation Group Rating Plan (the Plan) was established through the Sheakley Uniservice, Inc. (Sheakley) as a group purchasing pool.

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

North Central Ohio Joint Insurance Association

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**A. Reporting Entity - (Continued)**

*RELATED ORGANIZATION*

Mohawk Community Library

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

**B. Basis of Accounting**

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

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**C. Fund Accounting - (Continued)**

*GOVERNMENTAL FUNDS (Continued)*

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

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

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

*FIDUCIARY FUNDS*

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

**D. Basis of Presentation**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Wyandot County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2010.
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**E. Budgets - (Continued)**

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2010. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2010, investments were limited to certificates of deposit and a U.S. government money market mutual fund. Investments are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required 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 2010 amounted to \$10,677, which includes \$4,473 assigned from other funds.

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

An analysis of the District's investment account at year end is provided in Note 3.

**G. Capital Assets**

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

**H. Unpaid Vacation and Sick Leave**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**I. Long-Term Obligations**

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

**J. Fund Cash Balance Reserves**

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

**K. Net Cash Assets**

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

The District 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, 2010.

**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 2010.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$1,528,964. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,506,438 of the District's bank balance of \$1,756,438 was exposed to custodial risk as discussed below, while \$250,000 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. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturities 6 months or less</u>
U.S. Government money market mutual fund	\$ 544,681	\$ 544,681
Total	<u>\$ 544,681</u>	<u>\$ 544,681</u>

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

*Credit Risk:* The District's investments were rated AAAM by Standard & Poor's.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investments to the Statement of Net Cash Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,528,964
Investments	<u>544,681</u>
Total	<u>\$ 2,073,645</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,008,621
Private - purpose trust funds	12,921
Agency funds	<u>52,103</u>
Total	<u>\$ 2,073,645</u>

**NOTE 4 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$ 28,410
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Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 5 - PROPERTY TAXES - (Continued)**

Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Wyandot, Seneca and Crawford County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 103,518,880	95.67	\$ 104,495,690	95.60
Public utility personal	4,679,590	4.32	4,748,880	4.34
Tangible personal property	<u>7,600</u>	<u>0.01</u>	<u>70,590</u>	<u>0.06</u>
<b>Total</b>	<b><u>\$ 108,206,070</u></b>	<b><u>100.00</u></b>	<b><u>\$ 109,315,160</u></b>	<b><u>100.00</u></b>
 Tax rate per \$1,000 of assessed valuation	 \$42.13		 \$42.13	

**NOTE 6 - INCOME TAXES**

The District levies a voted tax of 1 percent for general operations on the income of 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 7 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	Interest Rate	Balance 06/30/09	Additions	Reductions	Balance 06/30/10	Amount Due in One Year
<b>Governmental activities:</b>						
<u>General Obligation Bonds:</u>						
School improvement bonds	2-4.75%	\$ 6,780,000	\$ -	\$ (220,000)	\$ 6,560,000	\$ 225,000
Capital appreciation bonds	12.88%	138,944	17,896	-	156,840	-
Total governmental activities		<u>\$ 6,918,944</u>	<u>\$ 17,896</u>	<u>\$ (220,000)</u>	<u>\$ 6,716,840</u>	<u>\$ 225,000</u>

- B. During fiscal year 2004, the District issued \$7,869,994 in general obligation bonds to provide funds for the construction of a new building to house grades pre-kindergarten thru 12 (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures 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.

This issue is comprised of both current interest bonds, par value \$7,795,000, and capital appreciation bonds, par value \$74,994. The interest rates on the current interest bonds range from 2.00% to 4.75%. The capital appreciation bonds mature on December 1, 2022 (effective interest 12.880%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value at June 30, 2010, was \$156,840.

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

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 225,000	\$ 283,733	\$ 508,733	\$ -	\$ -	\$ -
2012	230,000	276,983	506,983	-	-	-
2013	235,000	269,623	504,623	-	-	-
2014	245,000	261,633	506,633	-	-	-
2015	255,000	252,935	507,935	-	-	-
2016 - 2020	1,420,000	1,109,565	2,529,565	-	-	-
2021 - 2025	1,000,000	515,123	1,515,123	74,994	595,006	670,000
2026 - 2030	2,005,000	519,177	2,524,177	-	-	-
2031 - 2032	945,000	67,926	1,012,926	-	-	-
Total	<u>\$6,560,000</u>	<u>\$3,556,698</u>	<u>\$ 10,116,698</u>	<u>\$ 74,994</u>	<u>\$ 595,006</u>	<u>\$ 670,000</u>

**MOHAWK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

D. During fiscal year 2006, the District was approved for a \$300,010 hardship loan promissory note to the Ohio School Facilities Commission (OSFC), to provide funds for the OSFC construction project that was started in 2004. This note has no interest rate as long as the note is paid in a timely manner. OSFC has paid \$60,002 towards the District's local share of the project. The remaining loan amount has not been disbursed. The District has made two principal payments totaling \$60,002. At June 30, 2010, there is no outstanding loan balance. However, the District can draw the loan if necessary.

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$3,455,979 (including available funds of \$177,235) and an unvoted debt margin of \$109,319.

**NOTE 8 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2010, the District contracted for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Insurance provided by Stolly Insurance Company	
Building and Contents - replacement cost (\$1,000 deductible)	\$38,321,568
Insurance provided by Stolly Insurance Company	
Automotive Liability	1,000,000
Uninsured motorists	250,000
General liability	
Per occurrence	1,000,000
Aggregate	2,000,000

**MOHAWK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 8 - RISK MANAGEMENT - (Continued)**

**B. North Central Ohio Joint Insurance Association**

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

**C. Workers' Compensation**

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

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.

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

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

**MOHAWK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 9 - PENSION PLANS - (Continued)**

**A. School Employees Retirement System - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$150,347, \$99,551 and \$108,132, respectively; 46.88 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 9 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio - (Continued)**

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$468,740, \$465,354 and \$490,192, respectively; 82.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 10 - 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 Chapter 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 premium for calendar year 2009 was \$96.40 and 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](http://www.ohsers.org), under *Employers/Audit Resources*.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

**A. School Employees Retirement System - (Continued)**

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 2010, 0.46 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 statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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, 2010, 2009, and 2008 were \$5,412, \$59,957 and \$53,610, respectively; 46.88 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$8,941, \$8,214 and \$8,396, respectively; 46.88 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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](http://www.strsoh.org) or by calling (888) 227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio - (Continued)**

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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$36,057, \$35,796 and \$37,707, respectively; 82.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 11 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING**

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

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

	<u>Net Change in Fund Cash Balance</u>	
	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>
Cash Basis	\$ 303,224	\$ 3,307
Adjustment for Encumbrances	(5,251)	(4,400)
Budget Basis	\$ 297,973	\$ (1,093)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 13 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund cash receipt amounts, as defined by statute, into two reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2009	\$ (554,930)	\$ -
Current year set-aside requirement	151,621	151,621
Current year offsets	-	(220,000)
Qualifying disbursements	<u>(135,162)</u>	<u>(31,554)</u>
Total	<u>\$ (538,471)</u>	<u>\$ (99,933)</u>
Cash balance carried forward to fiscal year 2011	<u>\$ (538,471)</u>	<u>\$ -</u>

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

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 14,616	\$ 14,616
Cash Assistance:			
National School Lunch Program	10.555	125,345	125,345
Total Child Nutrition Cluster		<u>139,961</u>	<u>139,961</u>
Total U.S. Department of Agriculture		<u>139,961</u>	<u>139,961</u>
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	155,797	218,874
Special Education_Preschool Grants	84.173	12,893	15,351
ARRA - Special Education Grants to States, Recovery Act	84.391	227,186	218,320
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	4,424	6,516
Total Special Education Cluster		<u>400,300</u>	<u>459,061</u>
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	68,332	84,739
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	48,133	52,085
Total Title I Cluster		<u>116,465</u>	<u>136,824</u>
Improving Teacher Quality State Grants	84.367	6,289	8,980
Safe and Drug-Free Schools and Communities_State Grants	84.186	2,262	2,262
Education Technology State Grants	84.318	78	769
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	276,420	276,420
Total U.S. Department of Education		<u>801,814</u>	<u>884,316</u>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<u>\$ 941,775</u>	<u>\$ 1,024,277</u>

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

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Mohawk Local School District, Wyandot County, Ohio (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mohawk Local School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2011, wherein we noted the District presented financial statements on the cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 25, 2011.

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

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

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

**Dave Yost**  
Auditor of State

March 25, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Mohawk Local School District, Wyandot County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in findings 2010-002 through 2010-004 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding activities allowed/unallowed and allowable costs/cost principles applicable to its State Fiscal Stabilization Fund – Education State Grants, Recovery Act and Special Education (IDEA) Cluster major federal programs, respectively. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Mohawk Local School District, Wyandot County, Ohio, complied, in all material respects, with the requirements referred to above applicable to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

March 25, 2011

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified – State Fiscal Stabilization Fund – Education State Grants, Recovery Act and Special Education (IDEA) Cluster
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Special Education Cluster</u> CFDA #84.027 – Special Education Grants to States CFDA #84.173 – Special Education Preschool Grants CFDA #84.391 – ARRA – Special Education Grants to States, Recovery Act CFDA #84.392 – ARRA – Special Education Preschool Grants, Recovery Act <u>SFSF</u> CFDA #84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	2010-001
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**Material Noncompliance  
GAAP Reporting**

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

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2010, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures, that while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

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

**Officials' Response**

Due to financial constraints, the Mohawk Board of Education passed a resolution to not prepare its annual financial report in accordance with generally accepted accounting principles. This saved not only preparation cost, but audit cost as well. The financial statements were prepared in a GAAP look-alike format. The District does not intend to take any further corrective action and will pay the small fine that is levied.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2010-002
<b>CFDA Title and Number</b>	State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recover Act (#84.394)
<b>Federal Award Number / Year</b>	FY 2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2010-002 (Continued)
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**Material Noncompliance/Questioned Costs  
Activities Allowed/Unallowed – State Fiscal Stabilization Fund (Continued)**

SEC. 14002(a)(2) of the American Recovery and Reinvestment Act requires that the State to provide funds only to those local educational agencies (LEAs) (including any charter school LEAs) that also receive State funds through the State's primary elementary and secondary funding formula when a State awards Education Stabilization funds to LEAs through the State's primary funding formula.

The Ohio Department of Education (ODE) distributed State Fiscal Stabilization Funds (SFSF) to local school districts through the State Pathway to Student Success (PASS) system, the State's primary funding formula.

Based on SEC. 14002(a)(2) of the American Recovery and Reinvestment Act, ODE has determined and outlined in their Education Stabilization General Frequently Asked Questions, that if a District has a contract with another educational entity to provide educational services to their students, these funds can be used to pay for those services. When the payments are transfers of funds that are required by law, the use of SFSF funds for these expenditures would be a reallocation of the SFSF to another entity. In other words, the District would be creating a sub-grant to the other educational entity and this would not be an allowable use.

ODE deducts amounts from the PASS settlement from each school district pursuant to Ohio Rev. Code § 3313.64(J), which states that a school district required to pay tuition pursuant to division (C)(2) or (3) of this section or section 3313.65 of the Revised Code shall have an amount deducted under division (F) of section 3317.023 of the Revised Code equal to its own tuition rate for the same period of attendance.

Furthermore, the treasurer of each school district shall, by the fifteenth day of January and July, furnish the superintendent of public instruction a report of the names of each child who attended the district's schools under divisions (C)(2) and (3) of this section or section 3313.65 of the Revised Code during the preceding six calendar months, the duration of the attendance of those children, the school district responsible for tuition on behalf of the child, and any other information that the superintendent requires. Upon receipt of the report the superintendent, pursuant to division (F) of section 3317.023 of the Revised Code, shall deduct each district's tuition obligations under divisions (C)(2) and (3) of this section or section 3313.65 of the Revised Code and pay to the district of attendance that amount plus any amount required to be paid by the state. This deduction is considered a transfer of funds required by law as noted above.

During fiscal year 2010, the District charged open enrollment deductions included on its PASS settlements to the SFSF grant in the amount of \$100,684. As these deductions were required by Ohio Rev. Code § 3313.64(J), total open enrollment deductions charged to the SFSF grant, in the amount of \$100,684, is considered questioned costs.

We recommend that the District review requirements related to SFSF to ensure charges and disbursements made to it are for allowable activities.

MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2010-002 (Continued)
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**Material Noncompliance/Questioned Costs**  
**Activities Allowed/Unallowed – State Fiscal Stabilization Fund (Continued)**

**Officials' Response and Corrective Action Plan**

Finding Number:  
2010-002

Response and Planned Corrective Action:

The District was under the belief that these funds were not a cash transfer of revenues, but rather a payment of tuition for educational services rendered. This is due to ODE's requirement that children attending another district as open enrollment students are required to be included in the student count of the home district with the corresponding revenue received to be receipted into our funds as revenue. Also, instead of booking the outflow of dollars as a reduction of revenue, we are required by the ODE to record this as a tuition payment. This error occurred partially because of the inconsistency of the ODE in determining on one hand that open enrollment payments are revenues and expenditures and the other hand determining that they are a cash transfer when dealing with the SFSF. The District was not aware of the Education Stabilization General Frequently Asked Questions web site that the ODE published indicating that the SFSF was not to be used for Open Enrollment and mistakenly booked these costs out of that fund. The district offered to correct this action by making an adjusting entry to our electricity account in the SFSF expenditure for \$100,684 and to make a corresponding adjusting entry to charge the same \$100,684 out of the General Fund for open enrollment. This of course would not affect the ending cash balance of either fund and would correct the published report. However, the Auditor in Charge would not allow us to make this entry. I have emailed the ODE at [recovery@ode.state.oh](mailto:recovery@ode.state.oh) to determine if further adjustments need to be made in fiscal year 2011 for this occurrence in fiscal year 2010, but I have not received a response to date. As for ongoing reporting in fiscal year 2011, the District has already taken corrective action to charge the electricity account from the SFSF fund and the General Fund for open enrollment expenditures. It is expected that no further action will be needed as any adjustment will not affect the ending cash balances, but will overstate and understate expenditure accounts if adjusting entries are made in a following year.

Anticipated Completion Date:  
Already completed.

Contact Person:  
Roy B. Swartz

**Auditor of State's Conclusion**

The Auditor of State does not have authority to approve or retroactively apply adjustments to Federal programs in lieu of reporting a questioned cost under OMB Circular A-133 § .510 (a)(3). The Ohio Department of Education, as the Pass-through Agency, together with the U.S. Department of Education are the only agencies responsible for determining the appropriateness of corrective action plans.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2010-003
<b>CFDA Title and Number</b>	<u>Special Education (IDEA) Cluster</u> Special Education-Grants to States (#84.027); Special Education_Preschool Grants (#84.173); Special Education Grants to States, Recovery Act (#84.391); Special Education-Preschool Grants, Recovery Act (#84.392)
<b>Federal Award Number / Year</b>	FY 2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Noncompliance/Questioned Costs**

**Allowable Costs/Cost Principles – Special Education (IDEA), Part B Cluster**

2 C.F.R. Part 225, Appendix A, Section C(3)(a) states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Further, Section C(1)(a)-(j) lists the factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of 2 C.F.R. Part 225.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in 2 C.F.R. Part 225, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2010-003 (Continued)
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**Material Noncompliance/Questioned Costs  
Allowable Costs/Cost Principles – Special Education (IDEA), Part B Cluster (Continued)**

During fiscal year 2010, the District charged the entire cost of new smartboards and smartboard accessories, servers and other related hardware, and software licenses to the Special Education (IDEA) Part B Cluster. These purchases, totaling \$94,661, benefitted special education students as well as students not participating in the special education program. It is not readily determinable what percentage of these expenditures benefitted those students not participating in the special education program; therefore, total questioned costs are \$94,661 out of the \$459,061 in total federal Special Education (IDEA) Part B expenditures during fiscal year 2010.

We recommend that the District follow the compliance requirements included in 2 C.F.R. Part 225 (formerly known as OMB Circular A-87) to ensure the allowability of costs when charging federal programs.

**Officials' Response and Corrective Action Plan**

Finding Number:  
2010-003

Response and Planned Corrective Action:

Before expenditures out of Federal Stimulus Title VIB program could occur, the District was required to submit a plan to the Ohio Department of Education to specify how we intended to spend these funds and to ensure that they were being used for the purpose of the fund. The Department of Education approved this plan and the District adhered to the specifications of that plan. The plan specified that we would purchase and install smart boards, servers and software throughout the district for the sole purpose of fully integrating special education children into the regular education classroom as required by Federal law. Prior to this implementation, children were pulled out of classrooms due to the inability of the district to properly service their educational needs within the previous classroom configuration. These types of technologies were not put into the classroom for the benefit of regular education students as these assistive technologies were not needed in order for the regular education students to excel but are essential to allow the special education student to be educated in the least restrictive environment.

2009-2010 Ohio Local Report Card data shows that 16.4% of the students at Mohawk School have disabilities. All of these students are included in the regular classroom in accordance with the "least restrictive environment" doctrine of the Individuals with Disabilities Act, IDEA. We at Mohawk are making significant logistic changes to accommodate the service to these students. Co-teaching classroom, differentiated instruction, and assistive technology are all strategic elements in our efforts to improve the teaching and learning among students with disabilities.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2010-003 (Continued)
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**Material Noncompliance/Questioned Costs  
Allowable Costs/Cost Principles – Special Education (IDEA), Part B Cluster (Continued)**

**Officials' Response and Corrective Action Plan (Continued)**

The requirement to provide a free and equitable education to students with disabilities in the least restrictive environment demands inclusion of these students in the regular classroom. Gone are the days of removing these students from the classroom and thus the curriculum afforded to our "typical" students. These students deserve the same opportunity at the curriculum as the general population and our role is to facilitate their academic growth in the regular classroom. Technology can assist us in delivering the curriculum to the special education population. Integration of technology into the classroom is essential for the required interventions necessary for special education students to be successful.

Smart Board technology when used in conjunction with classroom response systems, gives the teacher opportunity to monitor student understanding while maintaining the anonymity of the special education student. Through this technique the special education students feel confident to participate in questioning without the fear of humiliation. The teacher in turn can evaluate the level of understanding or pin point specific areas of misunderstanding and provide the appropriate intervention strategies. Smart Board technology also allows the teacher to archive lecture notes and examples to provide to special needs students in their classroom. These students often have processing disabilities which make the burden of note taking become the major hurdle in the classroom. The student is utilizing all of their attention and efforts in simply trying to take the notes on time; consequently the student's focus is not on the actual content. Smart Board technology allows the student to listen and participate in the actual instruction, and know that the class notes and examples will be available to them via the web or by hard copy. For some students their Individual Education Plan, IEP, call for them to have a classroom aide whose primary purpose is to act as a scribe for class notes or assignments. The white board allows the teacher to provide the notes directly. This frees the instructional aide to work on student understanding instead of the content as opposed to simply acting as a scribe. Research has shown that Smart Board interactive whiteboard and classroom response systems increase interaction between the students while they are engaged in instruction. Since special education students often have delayed social interaction skills as well, this can contribute to decreased classroom participation of these students when compared to the general student population. Interactive whiteboard technologies help students with disabilities practice and develop the appropriate classroom social interactions.

Students with literacy and decoding difficulties learn to compensate in the classroom either by excelling in oral/aural discussion and information gathering, or by removing themselves from the lesson by displaying behavior problems. More than one in ten students in Mohawk school do not benefit fully from a traditional educational program because they have a disability that impairs full participation in classroom activities. Students with specials need are those who because of their disability require special education and related services to achieve their full potential.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2010-003 (Continued)
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**Material Noncompliance/Questioned Costs  
Allowable Costs/Cost Principles – Special Education (IDEA), Part B Cluster (Continued)**

**Officials’ Response and Corrective Action Plan (Continued)**

We adhere to the assertion that we spent these funds just as we had indicated we would spend them in the plan that was submitted to the Ohio Department of Education and that no other corrective action is needed. Also, this was a one-time project that was funded with federal stimulus dollars and that project has since been completed. Since there are no other funds to be received, we cannot take any additional corrective action in the future.

Anticipated Completion Date:  
N/A

Contact Person:  
Roy B. Swartz

**Auditor of State’s Conclusion**

The smartboards and accessories, servers, and other related hardware and software licenses are allowable activities for the Special Education program, but only to the extent that special education children receive a majority of the benefit. The District charged 100% of these expenditures to the Special Education program. The District did not maintain documentation supporting that students with disabilities unambiguously received a majority of the benefit from the equipment purchased.

<b>Finding Number</b>	2010-004
<b>CFDA Title and Number</b>	<u>Special Education (IDEA) Cluster</u> Special Education-Grants to States (#84.027); Special Education_Preschool Grants (#84.173); Special Education Grants to States, Recovery Act (#84.391); Special Education-Preschool Grants, Recovery Act (#84.392)
<b>Federal Award Number / Year</b>	FY 2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Noncompliance/Questioned Costs  
Allowable Costs/Costs Principles (Time & Effort) – Special Education (IDEA) Cluster**

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2010-004 (Continued)
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**Material Noncompliance/Questioned Costs  
Allowable Costs/Costs Principles (Time & Effort) – Special Education (IDEA) Cluster (Continued)**

2 C.F.R. Part 225, Appendix B (8)(h) states that the following standards regarding time distribution are in addition to the standards for payroll documentation:

1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
4. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) below unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - a. More than one Federal award,
  - b. A Federal award and a non-federal award,
  - c. An indirect cost activity and a direct cost activity,
  - d. Two or more indirect activities which are allocated using different allocation bases, or
  - e. An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
  - a. They must reflect an after-the-fact distribution of the actual activity of each employee,
  - b. They must account for the total activity for which each employee is compensated,
  - c. They must be prepared at least monthly and must coincide with one or more pay periods, and
  - d. They must be signed by the employee.
  - e. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards by may be used for interim accounting purposes, provided that:
    - i. The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
    - ii. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
    - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2010-004 (Continued)
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**Material Noncompliance/Questioned Costs  
Allowable Costs/Costs Principles (Time & Effort) – Special Education (IDEA) Cluster (Continued)**

During fiscal year 2010, the District charged its Technology Coordinator's entire salary (and related benefits), totaling \$65,226, to the Special Education (IDEA) Part B Cluster. The District completed semi-annual certifications for the Technology Coordinator; however, the Technology Coordinator works on multiple cost objectives throughout the school year. Therefore, personnel activity reports or equivalent documentation should have been prepared in lieu of semi-annual certifications. As a result, we are questioning total salary and benefits of the Technology Coordinator charged to the Special Education (IDEA) Cluster in the amount of \$65,226.

We recommend that the District follow the compliance requirements included in 2 C.F.R. Part 225, Appendix B (formerly known as OMB Circular A-87) to ensure the allowability of salaries charged to the federal programs.

**Officials' Response and Corrective Action Plan**

Finding Number:  
2010-004

Response and Planned Corrective Action

Before expenditures out of Federal Stimulus Title VIB program could occur, the District was required to submit a plan to the Ohio Department of Education to specify how we intended to spend these funds and to ensure that they were being used for the purpose of the fund. The Department of Education approved this plan and the District adhered to the specifications of that plan. The plan specified that we would hire a technology coordinator for the sole purpose of putting technology into classrooms for special education students including, but not limited to, installing and overseeing the installation of smartboards, servers and software throughout the district. This was to be done for the sole purpose of fully integrating special education children into the regular education classroom as required by Federal law. Prior to this implementation, children were pulled out of classrooms due to the inability of the district to properly service their educational needs within the previous classroom configuration. These types of technologies were not put into the classroom for the benefit of the regular education student as these assistive technologies were not needed for the regular education students to excel but are essential to allow the special education student to be educated in the least restrictive environment. The technology coordinator was a one year addition to the technology department to serve this purpose. Prior to this and during this year we had a technology director who provided technology needs for regular education students. After this year ended, the director retired and the coordinator replaced that position for the entire district and his former position was abolished. He is no longer being funded from Title VIB.

2009-2010 Ohio Local Report Card data shows that 16.4% of the students at Mohawk School have disabilities. All of these students are included in the regular classroom in accordance with the "least restrictive environment" doctrine of the Individuals with Disabilities Act, IDEA. We at Mohawk are making significant logistic changes to accommodate the service to these students. Co-teaching classroom, differentiated instruction, and assistive technology are all strategic elements in our efforts to improve the teaching and learning among students with disabilities.

**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2010-004 (Continued)
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**Material Noncompliance/Questioned Costs  
Allowable Costs/Costs Principles (Time & Effort) – Special Education (IDEA) Cluster (Continued)**

**Officials' Response and Corrective Action Plan (Continued)**

The requirement to provide a free and equitable education to students with disabilities in the least restrictive environment demands inclusion of these students in the regular classroom. Gone are the days of removing these students from the classroom and thus the curriculum afforded to our "typical" students. These students deserve the same opportunity at the curriculum as the general population and our role is to facilitate their academic growth in the regular classroom. Technology can assist us in delivering the curriculum to the special education population. Integration of technology into the classroom is essential for the required interventions necessary for special education students to be successful.

Smart Board technology when used in conjunction with classroom response systems, gives the teacher opportunity to monitor student understanding while maintaining the anonymity of the special education student. Through this technique the special education students feel confident to participate in questioning without the fear of humiliation. The teacher in turn can evaluate the level of understanding or pin point specific areas of misunderstanding and provide the appropriate intervention strategies. Smart Board technology also allows the teacher to archive lecture notes and examples to provide to special needs students in their classroom. These students often have processing disabilities which make the burden of note taking become the major hurdle in the classroom. The student is utilizing all of their attention and efforts in simply trying to take the notes on time; consequently the student's focus is not on the actual content. Smart Board technology allows the student to listen and participate in the actual instruction, and know that the class notes and examples will be available to them via the web or by hard copy. For some students their Individual Education Plan, IEP, call for them to have a classroom aide whose primary purpose is to act as a scribe for class notes or assignments. The white board allows the teacher to provide the notes directly. This frees the instructional aide to work on student understanding instead of the content as opposed to simply acting as a scribe. Research has shown that Smart Board interactive whiteboard and classroom response systems increase interaction between the students while they are engaged in instruction. Since special education students often have delayed social interaction skills as well, this can contribute to decreased classroom participation of these students when compared to the general student population. Interactive whiteboard technologies help students with disabilities practice and develop the appropriate classroom social interactions.

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**MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2010-004 (Continued)
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**Material Noncompliance/Questioned Costs  
Allowable Costs/Costs Principles (Time & Effort) – Special Education (IDEA) Cluster (Continued)**

**Officials' Response and Corrective Action Plan (Continued)**

We adhere to the assertion that we spent these funds just as we had indicated we would spend them in our plan that was submitted to the Ohio Department of Education and that no other corrective action is needed. A time and effort form was filled out for this employee and it indicated that 100% of his time was in the performance of this project. As such, no other corrective action needs to occur to track his hours on this project. Also, this was a one-time project that was funded with federal stimulus dollars and that project has been completed. Since there are no other funds to be received, we cannot take any additional corrective action in the future.

Anticipated Completion Date:  
N/A

Contact Person:  
Roy B. Swartz

**Auditor of State's Conclusion**

The Technology Coordinator's salary and benefits are allowable activities for the Special Education program, but only for the portion of time the Technology Coordinator spent working on that cost objective. The Technology Coordinator's job duties include working on multiple cost objectives. The District charged 100% of Coordinator's salary and benefits to the Special Education program based on semi-annual certifications rather than personnel activity reports or equivalent documentation. Among other tasks, the Coordinator installed or oversaw the installation of smartboards and smartboard accessories, servers and other related hardware, and software that benefitted special education students as well as the District as a whole. Without personnel activity reports or equivalent documentation as a basis to allocate the Coordinator's salary and benefits, the entire amount is being reported as questioned costs.

MOHAWK LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	<b>Noncompliance Finding</b> GAAP Reporting	No	Not Corrected, repeated as finding 2010-001

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# 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 5, 2011**