

***MECHANICSBURG EXEMPTED VILLAGE SCHOOL  
DISTRICT***

***CHAMPAIGN COUNTY, OHIO***

**AUDIT REPORT**

**For the Year Ended June 30, 2012**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Education  
Mechanicsburg Exempted Village School District  
60 High Street  
Mechanicsburg, Ohio 43044

We have reviewed the *Report of Independent Accountants* of the Mechanicsburg Exempted Village School District, Champaign County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mechanicsburg Exempted Village School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 8, 2013

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**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
 CHAMPAIGN COUNTY  
 AUDIT REPORT  
 For the Year Ended June 30, 2012**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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REPORT OF INDEPENDENT ACCOUNTANTS

Mechanicsburg Exempted Village School District  
Champaign County  
60 High Street  
Mechanicsburg, Ohio 43044

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mechanicsburg Exempted Village School District, Champaign County, Ohio, (the District), as of and for the year ended June 30, 2012, 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.

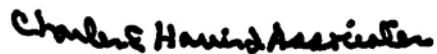
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Mechanicsburg Exempted Village School District, Champaign County, Ohio, as of June 30, 2012, and the respective changes in its financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013 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, 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.

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 schedule of federal awards expenditures provides additional information as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal award expenditures 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, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

*Charles E. Harris & Associates, Inc.*  
January 24, 2013

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The management's discussion and analysis of the Mechanicsburg Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,631,613 which represents a 9.01% decrease from 2011.
- General revenues accounted for \$8,307,454 in revenue or 78.59% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,263,345 or 21.41% of total revenues of \$10,570,799.
- The District had \$12,202,412 in expenses related to governmental activities; \$2,263,345 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,307,454 were not adequate to provide for these programs.
- The District has three major governmental funds; the general fund, bond retirement fund and permanent improvement fund. The general fund had \$8,871,048 in revenues and other financing sources and \$9,832,991 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$961,943 from \$961,585 to a deficit of \$358.
- The District's bond retirement fund had \$670,059 in revenues and other financing sources and \$656,104 in expenditures. During fiscal year 2012, the bond retirement fund's fund balance increased \$13,955 from \$197,366 to \$211,321.
- The permanent improvement fund had \$222,502 in revenues and \$54,650 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$167,852 from \$297,627 to \$465,479.

**Using these Basic Financial Statements**

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

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



**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. 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, the bond retirement fund and the permanent improvement fund.

***Governmental Funds***

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

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-50 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets for 2012 and 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<b><u>Assets</u></b>		
Current and other assets	\$ 4,660,920	\$ 5,723,276
Capital assets, net	<u>23,181,508</u>	<u>24,047,663</u>
Total assets	<u>27,842,428</u>	<u>29,770,939</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,561,180	3,535,559
Long-term liabilities	<u>7,813,104</u>	<u>8,135,623</u>
Total liabilities	<u>11,374,284</u>	<u>11,671,182</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	16,717,672	17,368,616
Restricted	911,424	1,025,614
Unrestricted (deficit)	<u>(1,160,952)</u>	<u>(294,473)</u>
Total net assets	<u>\$ 16,468,144</u>	<u>\$ 18,099,757</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$16,468,144.

At year-end, capital assets represented 83.26% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$16,717,672. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

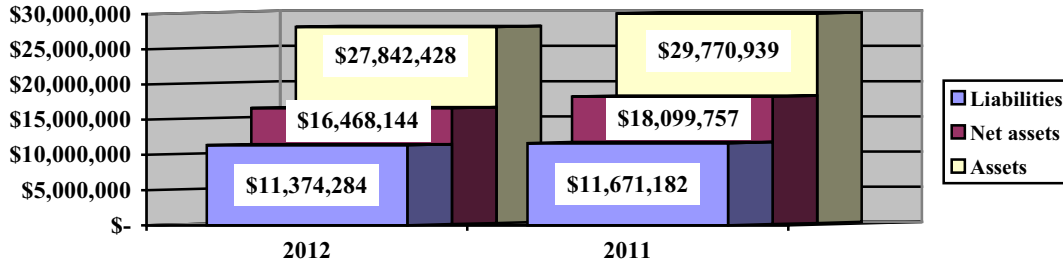
A portion of the District's net assets, \$911,424, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,160,952.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The graph below presents the District's assets, liabilities and net assets for fiscal years 2012 and 2011.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2012 and 2011.

**Change in Net Assets**

	Governmental Activities 2012	Governmental Activities 2011
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,188,275	\$ 1,152,367
Operating grants and contributions	1,071,600	1,807,000
Capital grants and contributions	3,470	-
General revenues:		
Property taxes	2,677,796	2,358,490
School district income taxes	1,401,784	1,279,935
Grants and entitlements	4,146,859	4,048,646
Investment earnings	2,733	7,257
Other	78,282	119,357
<b>Total revenues</b>	<b><u>10,570,799</u></b>	<b><u>10,773,052</u></b>

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**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Change in Net Assets - (Continued)**

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,118,930	\$ 5,259,695
Special	1,504,681	1,161,999
Vocational	171,875	130,535
Support services:		
Pupil	323,276	358,232
Instructional staff	368,942	401,049
Board of education	38,394	57,827
Administration	866,724	976,387
Fiscal	328,479	314,551
Operations and maintenance	1,556,972	1,302,793
Pupil transportation	708,648	700,730
Central	113,028	181,888
Food service operations	263,583	243,775
Other non-instructional services	4,963	2,826
Extracurricular activities	463,017	468,938
Interest and fiscal charges	<u>370,900</u>	<u>344,050</u>
Total expenses	<u>12,202,412</u>	<u>11,905,275</u>
Change in net assets	(1,631,613)	(1,132,223)
Net assets at beginning of year	<u>18,099,757</u>	<u>19,231,980</u>
Net assets at end of year	<u>\$ 16,468,144</u>	<u>\$ 18,099,757</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,631,613. Total governmental expenses of \$12,202,412 were offset by program revenues of \$2,263,345 and general revenues of \$8,307,454. Program revenues supported 18.55% of the total governmental expenses.

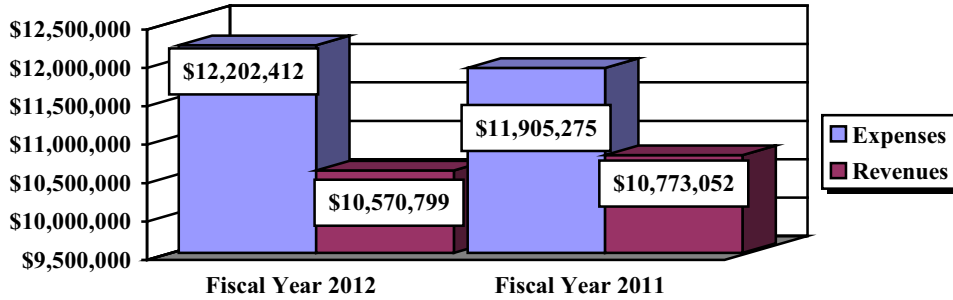
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 77.82% of total governmental revenue. Although each of these three revenue sources increased in fiscal year 2012, total revenues decreased slightly due to significantly less operating grants and contributions revenue, which is a result of less federal grant funding during the year. This decrease was expected, due to the elimination of the ARRA grant funding and also a decreased allocation for the Education Jobs grant program. Income taxes revenue increased as the economy in and around the District showed signs of recovery. The taxable assessed property values within the District have increased each of the last two years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,795,486 or 55.69% of total governmental expenses for fiscal year 2012.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,118,930	\$ 4,126,767	\$ 5,259,695	\$ 3,645,734
Special	1,504,681	753,133	1,161,999	537,254
Vocational	171,875	105,819	130,535	50,461
Support services:				
Pupil	323,276	323,276	358,232	328,436
Instructional staff	368,942	318,709	401,049	208,277
Board of education	38,394	38,394	57,827	57,827
Administration	866,724	860,740	976,387	966,415
Fiscal	328,479	328,479	314,551	314,551
Operations and maintenance	1,556,972	1,551,972	1,302,793	1,298,204
Pupil transportation	708,648	639,676	700,730	642,144
Central	113,028	109,428	181,888	147,642
Food service operations	263,583	25,249	243,775	(3,613)
Other non-instructional services	4,963	53	2,826	2,591
Extracurricular activities	463,017	386,472	468,938	405,935
Interest and fiscal charges	370,900	370,900	344,050	344,050
<b>Total expenses</b>	<b>\$ 12,202,412</b>	<b>\$ 9,939,067</b>	<b>\$ 11,905,275</b>	<b>\$ 8,945,908</b>

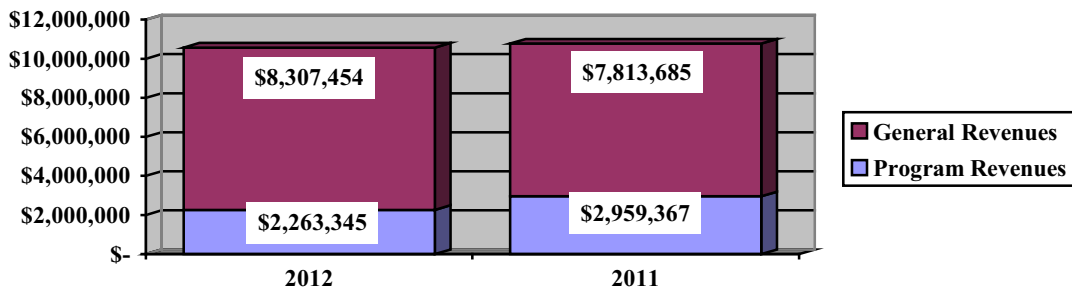
**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; 73.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.45%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$696,490, which is \$950,406 less than last year's total of \$1,646,896. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance (Deficit) <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase (Decrease)	Percentage Change
General	\$ (358)	\$ 961,585	\$ (961,943)	(100.04) %
Bond retirement	211,321	197,366	13,955	7.07 %
Permanent improvement	465,479	297,627	167,852	56.40 %
Other governmental	<u>20,048</u>	<u>190,318</u>	<u>(170,270)</u>	(89.47) %
Total	<u>\$ 696,490</u>	<u>\$ 1,646,896</u>	<u>\$ (950,406)</u>	(57.71) %

**General Fund**

The District's general fund balance decreased \$961,943. Revenues increased in fiscal year 2012, but expenditures exceeded revenues by \$904,511.

Most of the increase in general fund revenues is due to higher taxes revenue for fiscal year 2012. The District experienced increases in both property tax and income tax revenues, as discussed previously. General fund expenditures also increased. Some of this increase can be attributed to slightly higher wages and benefits costs, particularly for the District's certificated staff. In addition, maintenance and repair expenditures increased as the District began spending the proceeds of the energy conservation bonds issued in June of 2011.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,267,731	\$ 2,945,023	\$ 322,708	10.96 %
Tuition	617,559	618,505	(946)	(0.15) %
Earnings on investments	2,562	7,257	(4,695)	(64.70) %
Intergovernmental	4,534,824	4,458,858	75,966	1.70 %
Other revenues	<u>437,944</u>	<u>426,195</u>	<u>11,749</u>	2.76 %
Total	<u>\$ 8,860,620</u>	<u>\$ 8,455,838</u>	<u>\$ 404,782</u>	4.79 %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,583,496	\$ 5,297,137	\$ 286,359	5.41 %
Support services	3,941,385	3,850,952	90,433	2.35 %
Non-instructional services	4,963	2,326	2,637	113.37 %
Extracurricular activities	235,287	229,365	5,922	2.58 %
Debt service	<u>-</u>	<u>14,300</u>	<u>(14,300)</u>	100.00 %
Total	<u>\$ 9,765,131</u>	<u>\$ 9,394,080</u>	<u>\$ 371,051</u>	3.95 %

***Bond Retirement Fund***

The District's bond retirement fund had \$670,059 in revenues and other financing sources and \$656,104 in expenditures. During fiscal year 2012, the bond retirement fund's fund balance increased \$13,955 from \$197,366 to \$211,321.

***Permanent Improvement Fund***

The permanent improvement fund had \$222,502 in revenues and \$54,650 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$167,852 from \$297,627 to \$465,479.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,841,510 and final budgeted revenues and other financing sources were \$8,772,603. Actual revenues and other financing sources for fiscal year 2012 were \$8,501,311. This represents a \$271,292 decrease from final budgeted revenues. Although taxes revenue came in higher than the final budget amount, intergovernmental revenues from the State of Ohio, primarily Foundation revenues, were lower than anticipated in the final budget.

General fund original appropriations (appropriated expenditures including other financing uses) of \$9,850,911 were increased to \$10,109,577 in the final appropriations. The actual budget basis expenditures for fiscal year 2012 totaled \$9,742,108 which is \$367,469 less than the final budget appropriations.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the District had \$23,181,508 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2012 balances compared to 2011:

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

	Governmental Activities	
	2012	2011
Land	\$ 250,000	\$ 250,000
Land improvements	3,326,280	3,550,242
Building and improvements	18,959,348	19,510,597
Furniture and equipment	480,181	522,615
Vehicles	165,699	214,209
Total	\$ 23,181,508	\$ 24,047,663

The overall decrease in capital assets of \$866,155 is due to depreciation expense of \$873,095 exceeding capital outlays of \$6,940.

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

***Debt Administration***

At June 30, 2012, the District had \$7,244,205 in general obligation bonds outstanding. Of this total, \$259,205 is due within one year and \$6,985,000 is due in more than one year. The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2012	2011
General obligation bonds	\$ 6,579,205	\$ 6,768,383
Energy conservation bonds	\$ 665,000	\$ 715,000
Capital lease obligations	-	37,461
Total	\$ 7,244,205	\$ 7,520,844

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



**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Current Financial Related Activities**

Overall, the District is financially stable. As the preceding information shows, the District relies heavily upon property taxes, income taxes, and State support. Decreases in property tax revenues began in fiscal year 2007, due to changes enacted in the State's biennial budget bill effective July 1, 2005. Small growth in student population due to new housing will increase State support. An additional five year 1% income tax was passed by the voters in May 2006 and renewed by the voters in 2010, bringing the total income tax being collected during fiscal year 2012 to one and one-half percent.

The challenge for the District's management is to continue to provide the resources necessary to meet student needs and be able to stay within the five-year forecast. The five-year forecast is utilized by management in order to effectively and efficiently manage the District's resources to their fullest.

Since the District relies on the State for more than half of its general operating revenues, one of the largest challenges facing the District is that of State funding. The current State budget provides for little or no growth in the State support of the District. Changes in State support with the enactment of the current State budget includes an elimination in the Cost of Doing Business Factor, the tax on general business and railroad property was eliminated in 2009 and the tax on telephone and telecommunications property were eliminated in 2011. Although the budget bill replaces the revenue lost due to phasing out the tax fully in the first five years, the reimbursements are being phased out.

The general health of the economy has adversely affected the District beginning in 2008. Fuel and utility prices continue to be unstable, also Ohio ranked fifth in the number of individual house foreclosures and had an unemployment rate of over 9.5% which affects tax receipts and other school revenue. Income tax receipts have increased slightly due to Honda Manufacturing returning to full employment in 2011, which also resulted in a reduction of the unemployment rate to 7.4%. Ohio foreclosure filings declined last year by 16% in 2011 as filings fell at least slightly in all but two of Ohio's counties.

The District's systems of budgeting and internal control are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Patricia A. Sheffield, Treasurer, Mechanicsburg Exempted Village School District, 60 High Street, Mechanicsburg, Ohio 43044.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 1,071,406
Cash in segregated accounts . . . . .	150,625
Receivables:	
Taxes. . . . .	3,299,628
Intergovernmental . . . . .	54,699
Accrued interest . . . . .	287
Prepayments . . . . .	3,609
Materials and supplies inventory. . . . .	1,726
Unamortized bond issuance costs . . . . .	78,940
Capital assets:	
Land. . . . .	250,000
Depreciable capital assets, net. . . . .	22,931,508
Capital assets, net . . . . .	23,181,508
 Total assets . . . . .	 27,842,428
<b>Liabilities:</b>	
Accounts payable. . . . .	22,540
Contracts payable. . . . .	150,625
Accrued wages and benefits . . . . .	823,919
Pension obligation payable. . . . .	190,500
Intergovernmental payable . . . . .	53,197
Accrued interest payable . . . . .	26,532
Unearned revenue . . . . .	2,293,867
Long-term liabilities:	
Due within one year. . . . .	360,408
Due in more than one year . . . . .	7,452,696
 Total liabilities . . . . .	 11,374,284
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	16,717,672
Restricted for:	
Capital projects . . . . .	605,470
Debt service. . . . .	242,128
Classroom facilities maintenance . . . . .	63,826
Unrestricted (deficit) . . . . .	(1,160,952)
 Total net assets . . . . .	 \$ 16,468,144

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,118,930	\$ 955,225	\$ 36,938	\$ -	\$ (4,126,767)
Special . . . . .	1,504,681	7,315	744,233	-	(753,133)
Vocational . . . . .	171,875	-	66,056	-	(105,819)
Support services:					
Pupil. . . . .	323,276	-	-	-	(323,276)
Instructional staff . . . . .	368,942	9,632	40,601	-	(318,709)
Board of education . . . . .	38,394	-	-	-	(38,394)
Administration. . . . .	866,724	5,984	-	-	(860,740)
Fiscal. . . . .	328,479	-	-	-	(328,479)
Operations and maintenance . . . . .	1,556,972	5,000	-	-	(1,551,972)
Pupil transportation. . . . .	708,648	-	68,972	-	(639,676)
Central . . . . .	113,028	-	3,600	-	(109,428)
Operation of non-instructional services:					
Food service operations . . . . .	263,583	127,684	110,650	-	(25,249)
Other non-instructional services . . . . .	4,963	4,910	-	-	(53)
Extracurricular activities. . . . .	463,017	72,525	550	3,470	(386,472)
Interest and fiscal charges . . . . .	370,900	-	-	-	(370,900)
Totals . . . . .	<u>\$ 12,202,412</u>	<u>\$ 1,188,275</u>	<u>\$ 1,071,600</u>	<u>\$ 3,470</u>	<u>(9,939,067)</u>
<b>General revenues:</b>					
Property taxes levied for:					
					1,921,690
					518,990
					36,459
					200,657
					1,401,784
					4,146,859
					2,733
					78,282
					<u>8,307,454</u>
					(1,631,613)
					<u>18,099,757</u>
					<u>\$ 16,468,144</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 232,595	\$ 158,115	\$ 446,227	\$ 234,469	\$ 1,071,406
Cash in segregated accounts . . . . .	-	-	-	150,625	150,625
Receivables:					
Taxes . . . . .	2,540,728	508,262	211,998	38,640	3,299,628
Intergovernmental . . . . .	10,665	-	-	44,034	54,699
Accrued interest . . . . .	287	-	-	-	287
Interfund . . . . .	69,460	-	-	-	69,460
Loans to other funds . . . . .	119,021	-	-	-	119,021
Prepayments . . . . .	3,609	-	-	-	3,609
Materials and supplies inventory . . . . .	-	-	-	1,726	1,726
Total assets . . . . .	<u>\$ 2,976,365</u>	<u>\$ 666,377</u>	<u>\$ 658,225</u>	<u>\$ 469,494</u>	<u>\$ 4,770,461</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 19,655	\$ -	\$ -	\$ 2,885	\$ 22,540
Contracts payable . . . . .	-	-	-	150,625	150,625
Accrued wages and benefits . . . . .	806,440	-	-	17,479	823,919
Pension obligation payable . . . . .	180,378	-	-	10,122	190,500
Intergovernmental payable . . . . .	52,328	-	-	869	53,197
Compensated absences payable . . . . .	25,608	-	-	-	25,608
Interfund payable . . . . .	-	-	-	69,460	69,460
Loans from other funds . . . . .	-	-	-	119,021	119,021
Deferred revenue . . . . .	199,128	57,339	20,753	48,014	325,234
Unearned revenue . . . . .	1,693,186	397,717	171,993	30,971	2,293,867
Total liabilities . . . . .	<u>2,976,723</u>	<u>455,056</u>	<u>192,746</u>	<u>449,446</u>	<u>4,073,971</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory . . . . .	-	-	-	1,726	1,726
Prepays . . . . .	3,609	-	-	-	3,609
Long-term loans . . . . .	119,021	-	-	-	119,021
Restricted:					
Debt service . . . . .	-	211,321	-	-	211,321
Capital improvements . . . . .	-	-	465,479	119,238	584,717
Classroom facilities maintenance . . . . .	-	-	-	59,846	59,846
Committed:					
Other purposes . . . . .	-	-	-	20,357	20,357
Unassigned (deficit) . . . . .	(122,988)	-	-	(181,119)	(304,107)
Total fund balances (deficit) . . . . .	<u>(358)</u>	<u>211,321</u>	<u>465,479</u>	<u>20,048</u>	<u>696,490</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,976,365</u>	<u>\$ 666,377</u>	<u>\$ 658,225</u>	<u>\$ 469,494</u>	<u>\$ 4,770,461</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

<b>Total governmental fund balances</b>		\$	696,490
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			23,181,508
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	274,461	
Intergovernmental receivable		50,773	
Total		525,234	325,234
Unamortized bond issuance costs are not recognized in the funds.			78,940
Unamortized premiums on bond issuances are not recognized in the funds.			(66,781)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(26,532)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(6,579,205)	
Energy conservation bonds payable		(665,000)	
Compensated absences payable		(476,510)	
Total		(7,720,715)	(7,720,715)
<b>Net assets of governmental activities</b>		\$	16,468,144

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 3,267,731	\$ 497,780	\$ 193,538	\$ 35,099	\$ 3,994,148
Tuition . . . . .	617,559	-	-	-	617,559
Earnings on investments . . . . .	2,562	-	-	177	2,739
Charges for services . . . . .	-	-	-	127,684	127,684
Extracurricular . . . . .	36,127	-	-	71,012	107,139
Classroom materials and fees . . . . .	28,796	-	-	-	28,796
Other local revenues . . . . .	373,021	417	3,470	2,063	378,971
Intergovernmental - state . . . . .	4,501,602	70,727	25,494	25,395	4,623,218
Intergovernmental - federal . . . . .	33,222	33,275	-	732,889	799,386
<b>Total revenues . . . . .</b>	<b>8,860,620</b>	<b>602,199</b>	<b>222,502</b>	<b>994,319</b>	<b>10,679,640</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,273,427	-	17,645	217,829	4,508,901
Special . . . . .	1,149,425	-	-	375,165	1,524,590
Vocational . . . . .	160,644	-	-	10,944	171,588
Support services:					
Pupil . . . . .	320,181	-	-	1,113	321,294
Instructional staff . . . . .	242,885	-	-	123,551	366,436
Board of education . . . . .	38,394	-	-	-	38,394
Administration . . . . .	854,284	-	-	3,000	857,284
Fiscal . . . . .	316,190	10,351	2,510	686	329,737
Operations and maintenance . . . . .	1,404,890	-	3,617	114,513	1,523,020
Pupil transportation . . . . .	635,632	-	23,938	-	659,570
Central . . . . .	128,929	-	-	3,600	132,529
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	231,728	231,728
Other non-instructional services . . . . .	4,963	-	-	-	4,963
Extracurricular activities . . . . .	235,287	-	6,940	63,594	305,821
Facilities acquisition and construction . . . . .	-	-	-	18,866	18,866
Debt service:					
Principal retirement . . . . .	-	190,001	-	-	190,001
Interest and fiscal charges . . . . .	-	455,752	-	-	455,752
<b>Total expenditures . . . . .</b>	<b>9,765,131</b>	<b>656,104</b>	<b>54,650</b>	<b>1,164,589</b>	<b>11,640,474</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(904,511)	(53,905)	167,852	(170,270)	(960,834)
<b>Other financing sources (uses):</b>					
Sale/loss of assets . . . . .	10,428	-	-	-	10,428
Transfers in . . . . .	-	67,860	-	38,685	106,545
Transfers (out) . . . . .	(67,860)	-	-	(38,685)	(106,545)
<b>Total other financing sources (uses) . . . . .</b>	<b>(57,432)</b>	<b>67,860</b>	<b>-</b>	<b>-</b>	<b>10,428</b>
Net change in fund balances . . . . .	(961,943)	13,955	167,852	(170,270)	(950,406)
<b>Fund balances at beginning of year . . . . .</b>	<b>961,585</b>	<b>197,366</b>	<b>297,627</b>	<b>190,318</b>	<b>1,646,896</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ (358)</b>	<b>\$ 211,321</b>	<b>\$ 465,479</b>	<b>\$ 20,048</b>	<b>\$ 696,490</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Net change in fund balances - total governmental funds** \$ (950,406)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Additions	\$ 6,940	
Depreciation expense	(873,095)	
<b>Total</b>		<b>(866,155)</b>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	85,432	
Intergovernmental	(204,701)	
<b>Total</b>		<b>(119,269)</b>

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

190,001

In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:

Increase in accrued interest payable	(955)	
Accreted interest on capital appreciation bonds	(30,822)	
Retirement of accreted interest on capital appreciation bonds	117,460	
Amortization of bond premium	9,540	
Amortization of bond issuance costs	(10,371)	
<b>Total</b>		<b>84,852</b>

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

29,364

**Change in net assets of governmental activities** \$ (1,631,613)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,908,649	\$ 3,136,601	\$ 3,223,811	\$ 87,210
Tuition . . . . .	609,851	659,634	617,560	(42,074)
Earnings on investments . . . . .	7,493	9,500	2,562	(6,938)
Other local revenues . . . . .	67,797	88,209	63,363	(24,846)
Intergovernmental - state . . . . .	4,365,519	4,669,331	4,501,601	(167,730)
Intergovernmental - federal . . . . .	30,949	40,000	29,296	(10,704)
Total revenues. . . . .	<u>7,990,258</u>	<u>8,603,275</u>	<u>8,438,193</u>	<u>(165,082)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,150,603	4,091,652	3,992,464	99,188
Special . . . . .	1,106,476	1,080,309	1,149,611	(69,302)
Vocational. . . . .	144,626	167,634	160,804	6,830
Support services:				
Pupil. . . . .	256,426	268,894	335,609	(66,715)
Instructional staff . . . . .	318,515	375,585	249,572	126,013
Board of education . . . . .	84,842	81,526	42,255	39,271
Administration. . . . .	1,039,799	889,230	866,636	22,594
Fiscal . . . . .	315,101	334,682	327,053	7,629
Operations and maintenance. . . . .	1,249,030	1,608,282	1,430,345	177,937
Pupil transportation . . . . .	696,229	662,724	652,251	10,473
Central. . . . .	143,956	156,152	136,290	19,862
Extracurricular activities. . . . .	227,368	228,407	234,920	(6,513)
Total expenditures . . . . .	<u>9,732,971</u>	<u>9,945,077</u>	<u>9,577,810</u>	<u>367,267</u>
Excess of expenditures over revenues . . . . .	<u>(1,742,713)</u>	<u>(1,341,802)</u>	<u>(1,139,617)</u>	<u>202,185</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	1,424	6,000	5,593	(407)
Sale of bonds . . . . .	715,000	-	-	-
Transfers (out). . . . .	(15,000)	(68,060)	(67,860)	200
Advances in. . . . .	126,400	150,000	47,097	(102,903)
Advances (out) . . . . .	(102,940)	(96,440)	(96,438)	2
Sale/loss of assets. . . . .	8,428	13,328	10,428	(2,900)
Total other financing sources (uses) . . . . .	<u>733,312</u>	<u>4,828</u>	<u>(101,180)</u>	<u>(106,008)</u>
Net change in fund balance . . . . .	(1,009,401)	(1,336,974)	(1,240,797)	96,177
<b>Fund balance at beginning of year . . . . .</b>	1,233,263	1,233,263	1,233,263	-
<b>Prior year encumbrances appropriated . . . . .</b>	74,782	74,782	74,782	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 298,644</u>	<u>\$ (28,929)</u>	<u>\$ 67,248</u>	<u>\$ 96,177</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 57,496	\$ 52,410
Total assets. . . . .	57,496	\$ 52,410
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 52,410
Total liabilities . . . . .	-	\$ 52,410
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	57,496	
Total net assets . . . . .	\$ 57,496	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	
<b>Additions:</b>		
Interest . . . . .	\$	298
<b>Deductions:</b>		
Scholarships awarded . . . . .		<u>138</u>
Change in net assets . . . . .		160
<b>Net assets at beginning of year. . . . .</b>		<u>57,336</u>
<b>Net assets at end of year . . . . .</b>	<u>\$</u>	<u>57,496</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The Mechanicsburg Exempted Village School District (the "District") is located in Champaign County, in west-central Ohio. The District includes all of the Village of Mechanicsburg and portions of surrounding townships.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates one building that is composed of its elementary, middle school and high school. The District employs 43 non-certified and 73 certified (including administrative) full-time and part-time employees to provide services to approximately 922 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

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

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Career Center is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Donn Walls, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

*RELATED ORGANIZATION*

Mechanicsburg Public Library

The Mechanicsburg Public Library (Library) is an organization related to the District. The School Board members are responsible for appointing the trustees of the Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library determines its own budget. The Library did not receive any funding from the District during fiscal year 2012.

*INSURANCE PURCHASING POOL*

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

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP). The GRP is sponsored by OASBO and administered by Sheakley UniService, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

*PUBLIC ENTITY RISK POOL*

The District is also a participant in an insurance group purchasing pool, discussed in Note 12.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of resources for and payment of general obligation bond and note principal, interest and related costs.

*Permanent improvement fund* - The permanent improvement fund is used to account for the acquisition, construction or improvement of permanent improvements throughout the District.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue on the fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2012.
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 has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012; however, none of these amendments were significant. 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 may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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



**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

During fiscal year 2012, investments were limited investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$2,562, which includes \$1,559 assigned from other funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

Governmental capital assets are those assets generally related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. Long-term interfund loans that will not be repaid within the next fiscal year are classified as “loans to/from other funds” and are shown as nonspendable fund balances on the balance sheet because they are not spendable, available resources. These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or more with at least 10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

For governmental fund financial statements, the current portion of unpaid matured compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability in the fund financial statements when due.

**L. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

**M. Net Assets**

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

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Interfund Activity**

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**Q. Unamortized Bond Issuance Costs and Bond Premium**

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Major governmental fund:</u>	<u>Deficit</u>
General fund	\$ 358
 <u>Nonmajor governmental funds:</u>	
Food service	56,935
District managed activity	835
Management information system	1,501
Education jobs	25,799
IDEA Part B	18,000
Stimulus Title II D	1,585
Title I	54,838
Improving teacher quality	17,000
Miscellaneous federal grants	2,900

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool 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 the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**A. Cash on Hand**

At fiscal year end, the District had \$400 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Cash in Segregated Accounts**

At June 30, 2012, the District had \$150,625 in a segregated account for construction liens. This account was covered by the FDIC. This amount is not included in the District's depository balance below.

**C. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$547,206. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$30,182 of the District's bank balance of \$559,558 was exposed to custodial risk as discussed below, while \$529,376 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2012, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturity <u>6 months or less</u>
STAR Ohio	\$ 633,706	\$ 633,706

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.



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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 633,706	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 547,206
Investments	633,706
Cash in segregated accounts	150,625
Cash on hand	<u>400</u>
Total	<u>\$ 1,331,937</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,222,031
Private-purpose trust fund	57,496
Agency funds	<u>52,410</u>
Total	<u>\$ 1,331,937</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2012, as reported on the fund financial statements, consist of the following individual interfund receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 69,460

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Bond retirement fund	\$ 67,860
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	38,685

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between nonmajor governmental funds include \$38,685 from the classroom facilities fund to the classroom facilities maintenance fund, for the purpose of closing out the classroom facilities fund.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

- C.** Interfund balances at June 30, 2012, as reported on the fund financial statements, consist of the following loans to/from other funds.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 119,021

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. The long-term interfund balances are not expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Champaign and Madison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$180,604 in the general fund, \$53,206 in the bond retirement fund, \$19,252 in the permanent improvement fund and \$3,689 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$173,693 in the general fund, \$46,479 in the bond retirement fund, \$16,959 in the permanent improvement fund and \$3,250 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 86,952,060	99.95	\$ 84,910,100	96.27
Public utility personal	43,630	0.05	3,290,140	3.73
Tangible personal property	<u>1,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 86,997,360</u></b>	<b><u>100.00</u></b>	<b><u>\$ 88,200,240</u></b>	<b><u>100.00</u></b>

Tax rate per \$1,000 of  
assessed valuation for:

Operations	\$28.50	\$28.55
Permanent improvement	5.50	5.50
Bond retirement	6.00	6.00

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 3,299,628
Intergovernmental	54,699
Accrued interest	<u>287</u>
<b>Total</b>	<b><u>\$ 3,354,614</u></b>

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

**NOTE 8 - INCOME TAXES**

The District levies a voted income tax of one and one half percent on the income of residents and on estates for general operations of the District. The one half percent income tax became effective on January 1, 1997 and is in effect for a continual period of time. An additional five-year one percent tax was renewed by District voters in 2010 and expires December 31, 2016. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and 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 and amounted to \$1,401,784 for fiscal year 2012. Taxes receivable reported in the basic financial statements includes \$474,549 for income tax receivable.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 7/1/11	Additions	Deductions	Balance 6/30/12
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Total capital assets, not being depreciated	250,000	-	-	250,000
<i>Capital assets, being depreciated:</i>				
Land improvements	4,479,239	-	-	4,479,239
Buildings and improvements	21,763,140	-	-	21,763,140
Furniture and equipment	810,000	6,940	-	816,940
Vehicles	1,003,088	-	-	1,003,088
Total capital assets, being depreciated	28,055,467	6,940	-	28,062,407
<i>Less: accumulated depreciation</i>				
Land improvements	(928,997)	(223,962)	-	(1,152,959)
Buildings and improvements	(2,252,543)	(551,249)	-	(2,803,792)
Furniture and equipment	(287,385)	(49,374)	-	(336,759)
Vehicles	(788,879)	(48,510)	-	(837,389)
Total accumulated depreciation	(4,257,804)	(873,095)	-	(5,130,899)
Governmental activities capital assets, net	\$ 24,047,663	\$ (866,155)	\$ -	\$ 23,181,508

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 606,648
Vocational	287

Support services:

Administration	18,897
Operations and maintenance	7,573
Pupil transportation	48,510
Central	3,763
Extracurricular activities	155,824
Food service operations	31,593
Total depreciation expense	\$ 873,095

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE**

In a prior year, the District has entered into a lease for the acquisition of school buses. This lease meets the criteria of a capital lease as defined by GAAP, which define a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments are reflected as debt service expenditures in the financial statements.

Capital assets consisting of vehicles have been capitalized in the amount of \$138,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 was \$77,625, leaving a current book value of \$60,375. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2012 totaled \$37,461 paid by the bond retirement fund.

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. The following is a description of the District's long-term debt obligations outstanding as of June 30, 2012:

	Balance Outstanding <u>6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>6/30/12</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
General obligation					
current interest bonds	\$ 6,370,000	\$ -	\$ -	\$ 6,370,000	\$ -
General obligation					
capital appreciation bonds	195,265	-	(102,540)	92,725	92,725
General obligation capital appreciation					
bonds-accreted interest	203,118	30,822	(117,460)	116,480	116,480
Energy conservation bonds	715,000	-	(50,000)	665,000	50,000
Capital lease obligation payable	37,461	-	(37,461)	-	-
Compensated absences payable	<u>538,458</u>	<u>135,123</u>	<u>(171,463)</u>	<u>502,118</u>	<u>101,203</u>
Total long-term obligations	<u>\$ 8,059,302</u>	<u>\$ 165,945</u>	<u>\$ (478,924)</u>	7,746,323	<u>\$ 360,408</u>
				Add: Unamortized premium on bonds	<u>66,781</u>
				Total on statement of net assets	<u>\$ 7,813,104</u>

General obligation bonds, series 2004: The general obligation bonds, series 2004, were issued on April 1, 2004, mature on December 1, 2031, and carry interest rates from 3.75% to 5.00%. The general obligation bonds are comprised of current interest serial bonds (par value \$2,680,000), current interest term bonds (par value \$4,900,000), and capital appreciation bonds (par value \$195,265). Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The general obligation bonds were issued in order to provide funds for the acquisition and construction of land, facilities and equipment.

The capital appreciation bonds mature at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The accreted value at maturity for the remaining capital appreciation bonds outstanding is \$220,000. Total accreted interest of \$116,480 has been included on the statement of net assets.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The current interest bonds maturing on December 1, 2015 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity and by lot within a maturity on or after December 1, 2014 at par, which is 100% of the face value of the current interest bonds. The capital appreciation bonds are not subject to redemption prior to scheduled maturity.

*Energy conservation bonds, series 2011:* The energy conservation bonds, series 2011, were issued on June 16, 2011, mature on December 1, 2025, and carry an interest rate of 5.45%. The bonds were issued for the purpose of purchasing and installing energy conservation improvements throughout the District. These improvements are not capital in nature and are expensed as incurred in the financial statements. Payments are due each June 1 and December 1 and are paid from the bond retirement fund.

*Compensated absences:* Compensated absences will be paid from the fund from which the employee is paid, which, for the District, is primarily the general fund.

*Capital lease obligation:* The capital lease obligation is paid from the bond retirement fund. See Note 10 for more details.

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds, Series 2004			Capital Appreciation Bonds, Series 2004		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ -	\$ 298,608	\$ 298,608	\$ 92,725	\$ 127,275	\$ 220,000
2014	220,000	294,208	514,208	-	-	-
2015	230,000	285,208	515,208	-	-	-
2016	240,000	275,808	515,808	-	-	-
2017	250,000	265,820	515,820	-	-	-
2018 - 2022	1,415,000	1,154,112	2,569,112	-	-	-
2023 - 2027	1,770,000	785,825	2,555,825	-	-	-
2028 - 2032	2,245,000	291,875	2,536,875	-	-	-
<b>Total</b>	<b>\$ 6,370,000</b>	<b>\$ 3,651,464</b>	<b>\$ 10,021,464</b>	<b>\$ 92,725</b>	<b>\$ 127,275</b>	<b>\$ 220,000</b>

Fiscal Year Ending June 30,	Energy Conservation Bonds		
	Principal	Interest	Total
2013	\$ 50,000	\$ 34,880	\$ 84,880
2014	50,000	32,155	82,155
2015	50,000	29,430	79,430
2016	50,000	26,705	76,705
2017	50,000	23,980	73,980
2018 - 2022	235,000	80,251	315,251
2023 - 2026	180,000	19,620	199,620
<b>Total</b>	<b>\$ 665,000</b>	<b>\$ 247,021</b>	<b>\$ 912,021</b>

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$1,686,618 (including available funds of \$211,321) and an unvoted debt margin of \$88,200.

**NOTE 12 - RISK MANAGEMENT**

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

The District provides medical/surgical benefits to its employees through the United Health Care Inc., a fully funded program. The District has elected to provide employee life insurance and accidental death and dismemberment insurance through Sun Financial, a fully funded program. Dental insurance that is 100% employee funded is also offered.

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

During fiscal year 2012, the District participated in a joint self-insurance pool pursuant to Revised Code Section 2744.081 administered through the Schools of Ohio Risk Sharing Authority (SORSA). Insurances are provided by SORSA through a self-funded plan. Reinsurance is provided by The Travelers Insurance Companies and United Educators for all liability protection. Coverages provided by SORSA are as follows:

Building and contents - replacement cost	\$30,638,078
Automobile liability	14,000,000
Uninsured motorists	2,000,000
Crime	100,000
General liability:	
Per occurrence	14,000,000
Total per year	14,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amounts of insurance coverage from fiscal year 2011.



**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - RISK MANAGEMENT - (Continued)**

*OASBO WORKERS' COMPENSATION GROUP RATING*

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

**NOTE 13 - 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*".

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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$161,574, \$151,847 and \$135,202, respectively; 55.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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 website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 13 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

Funding Policy - For fiscal year 2012, 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, 2012, 2011 and 2010 were \$517,297, \$501,352 and \$489,559, respectively; 85.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$32,563 made by the District and \$23,260 made by the plan members.

**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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 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 2012, 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, 2012, 2011 and 2010 were \$26,184, \$34,886 and \$21,245, respectively; 55.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,542, \$9,772 and \$8,040, respectively; 55.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**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), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, 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, 2012, 2011 and 2010 were \$39,792, \$38,566 and \$37,658, respectively; 85.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (1,240,797)
Net adjustment for revenue accruals	47,003
Net adjustment for expenditure accruals	144,695
Net adjustment for other sources/uses	43,748
Funds budgeted elsewhere	(11,502)
Adjustment for encumbrances	<u>54,910</u>
GAAP basis	<u>\$ (961,943)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, internal service rotary fund, special enterprise fund and public school support fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NOTE 17 - SET-ASIDES**

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

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 17 - SET-ASIDES - (Continued)**

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	162,616
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(256,313)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (93,697)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 54,946
Other governmental	979
Total	<u>\$ 55,925</u>

**NOTE 19 - SUBSEQUENT EVENT**

On August 14, 2012, the District issued refunding bonds in the amount of \$5,919,996 for the purpose of advance refunding a portion of the outstanding Series 2004 general obligation bonds. The refunding issue is comprised of current interest serial bonds, par value \$5,805,000, and capital appreciation bonds, par value \$114,996. The refunding bonds bear interest rates ranging from 1.0% to 3.0% and have a final maturity date of December 1, 2031.

**Mechanicsburg Exempted Village School District  
Champaign County**

Schedule of Federal Awards Expenditures  
For The Fiscal Year Ended June 30, 2012

<b>Federal Grantor/Pass Through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal Receipts</b>	<b>Federal Disbursements</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
(Pass through Ohio Department of Education)			
Title I; Grants to LEA-Formula <b>Total Title 1</b>	84.010	\$ 253,835 <u>253,835</u>	\$ 197,121 <u>197,121</u>
Title II D; Educational Technology State Grants <b>Total Title II-D</b>	84.318	1,508 <u>1,508</u>	- <u>-</u>
Title II A; Improving Teacher Quality <b>Total Title II-A</b>	84.367	32,014 <u>32,014</u>	32,014 <u>32,014</u>
Title VI-B <b>Total Title VI-B</b>	84.027	169,834 <u>169,834</u>	169,834 <u>169,834</u>
Rural Education <b>Total Rural Education</b>	84.358	20,153 <u>20,153</u>	20,153 <u>20,153</u>
Education Jobs <b>Total Education Jobs</b>	84.410	259,156 <u>259,156</u>	233,508 <u>233,508</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		736,500	652,630
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Child Nutrition Cluster:			
(Direct Program: Non-Cash Assistance):			
Food Distribution Program	10.555	14,910	14,910
(Passed through Ohio Department of Education-Cash Assistance):			
National School Lunch Program <b>Total Nutrition Cluster</b>	10.555	122,393 <u>137,303</u>	122,393 <u>137,303</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		137,303	137,303
<b>TOTAL FEDERAL ASSISTANCE</b>		<u>\$ 873,803</u>	<u>\$ 789,933</u>

See notes to the Schedule of Federal Awards Expenditures

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY  
Notes to the Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2012**

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain expenditures are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2012, the District had commodities in inventory recorded in the Food Service Fund.



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Mechanicsburg Exempted Village School District  
Champaign County  
60 High Street  
Mechanicsburg, Ohio 43044

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mechanicsburg Exempted Village School District, Champaign County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 24, 2013. 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 Controls 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 auditing 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

*Charles E. Harris & Associates*

*Charles E. Harris & Associates, Inc.*

January 24, 2013

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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

Mechanicsburg Exempted Village School District  
Champaign County  
60 High Street  
Mechanicsburg, Ohio 43044

To the Board of Education:

Compliance

We have audited the compliance of the Mechanicsburg Exempted Village School District, Champaign County (the District), with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2012.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over 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.

We intend this report solely for the information and use of the audit committee, management, the 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.

*Charles E. Harris Associates*

*Charles E. Harris and Associates, Inc.*  
January 24, 2013

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
CHAMPAIGN COUNTY  
June 30, 2012**

**OMB CIRCULAR A-133 SECTION .505  
SCHEDULE OF FINDINGS**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510	No
(d)(1)(vii)	Major Programs:	Title I: CFDA #84.010 Education Jobs CFDA#84.410
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
 CHAMPAIGN COUNTY, OHIO  
 SCHEDULE OF PRIOR AUDIT FINDINGS  
 For the Year Ended June 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-MECH-01	Federal noncompliance-DCF filed late with Federal Clearinghouse	Yes	



# Dave Yost • Auditor of State

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT**

**CHAMPAIGN 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  
MARCH 21, 2013**