

***MECHANICSBURG EXEMPTED VILLAGE SCHOOL
DISTRICT***

CHAMPAIGN COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2013





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mechanicsburg Exempted Village School District, Champaign County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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

February 18, 2014

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**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
 CHAMPAIGN COUNTY
 AUDIT REPORT
 For the Year Ended June 30, 2013**

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

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mechanicsburg Exempted Village School District, Champaign County, Ohio, (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Mechanicsburg Exempted Village School District, Champaign, Ohio as of June 30, 2013, and the respective changes in financial position and budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2013 the District adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

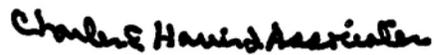
Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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 and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 15, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$405,074 which represents a 2.46% decrease from 2012.
- General revenues accounted for \$7,942,758 in revenue or 77.07% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,363,470 or 22.93% of total revenues of \$10,306,228.
- The District had \$10,711,302 in expenses related to governmental activities; \$2,363,470 or 22.07% of these expenses were 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 \$7,942,758 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 \$8,821,967 in revenues and \$8,526,739 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance increased \$295,228 from a deficit of \$358 to \$294,870.
- The District's bond retirement fund had \$7,356,819 in revenues and other financing sources and \$7,306,046 in expenditures and other financing uses. During fiscal year 2013, the bond retirement fund's fund balance increased \$50,773 from \$211,321 to \$262,094.
- The permanent improvement fund had \$347,116 in revenues and other financing sources and \$224,766 in expenditures. During fiscal year 2013, the permanent improvement fund's fund balance increased \$122,350 from \$465,479 to \$587,829.
- The District issued refunding bonds during the year to refinance at a lower interest rate a portion of its previously issued bonds. As a result of the refunding, the District will save \$838,474 over the next 19 years.

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 position* 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, 2013
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include all *assets, deferred outflows, liabilities, deferred inflows, 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 position* and changes in that position. This change in net position 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 position 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 position and statement of activities can be found on pages 14-15 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 position 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 16-20 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 position and changes in fiduciary net position on pages 21 and 22. 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, 2013
(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 23-52 of this report.

The District as a Whole

The table below provides a summary of the District's net position for 2013 and 2012. The 2012 amounts for liabilities and deferred inflows have been reclassified to conform to 2013 presentation.

	Net Position	
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Assets</u>		
Current and other assets	\$ 4,562,513	\$ 4,660,920
Capital assets, net	<u>22,515,849</u>	<u>23,181,508</u>
Total assets	<u>27,078,362</u>	<u>27,842,428</u>
Deferred outflows	<u>583,016</u>	<u>-</u>
<u>Liabilities</u>		
Current liabilities	1,133,338	1,267,313
Long-term liabilities	<u>8,334,230</u>	<u>7,813,104</u>
Total liabilities	<u>9,467,568</u>	<u>9,080,417</u>
Deferred inflows	<u>2,130,740</u>	<u>2,293,867</u>
<u>Net position</u>		
Net investment in capital assets	15,914,932	16,717,672
Restricted	920,705	911,424
Unrestricted (deficit)	<u>(772,567)</u>	<u>(1,160,952)</u>
Total net position	<u>\$ 16,063,070</u>	<u>\$ 16,468,144</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$16,063,070.

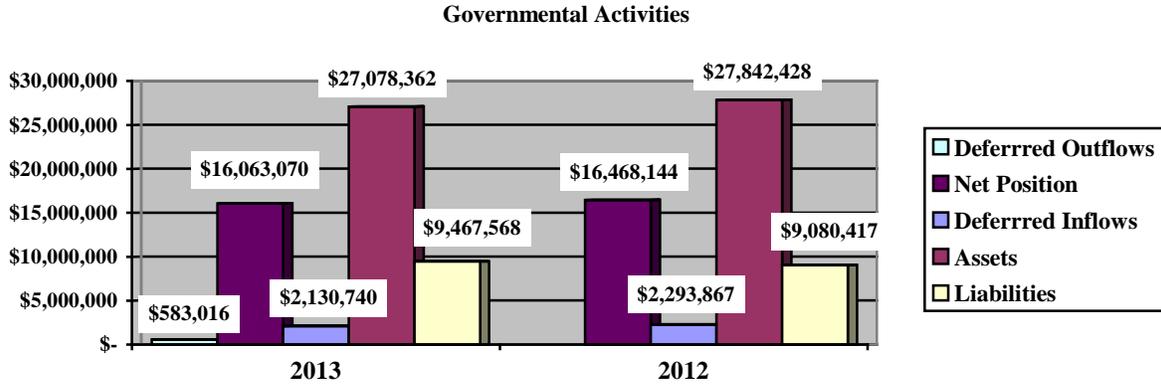
At year-end, capital assets represented 83.15% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2013, was \$15,914,932. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$920,705, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$772,567.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The graph below presents the District's assets, deferred outflows, liabilities, deferred inflows and net position for fiscal years 2013 and 2012. The 2012 amounts for liabilities and deferred inflows have been reclassified to conform to 2013 presentation.



The table below shows the change in net position for fiscal years 2013 and 2012.

	Change in Net Position	
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,284,905	\$ 1,188,275
Operating grants and contributions	1,078,565	1,071,600
Capital grants and contributions	-	3,470
General revenues:		
Property taxes	2,314,463	2,677,796
School district income taxes	1,480,545	1,401,784
Grants and entitlements	4,068,934	4,146,859
Investment earnings	2,010	2,733
Other	<u>76,806</u>	<u>78,282</u>
Total revenues	<u>10,306,228</u>	<u>10,570,799</u>

-continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

<u>Expenses</u>	Change in Net Position - (Continued)	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
Program expenses:		
Instruction:		
Regular	\$ 4,620,367	\$ 5,118,930
Special	1,521,277	1,504,681
Vocational	106,110	171,875
Support services:		
Pupil	268,302	323,276
Instructional staff	249,608	368,942
Board of education	46,039	38,394
Administration	823,945	866,724
Fiscal	316,355	328,479
Operations and maintenance	876,179	1,556,972
Pupil transportation	584,395	708,648
Central	177,318	113,028
Food service operations	276,025	263,583
Other non-instructional services	3,485	4,963
Extracurricular activities	421,524	463,017
Interest and fiscal charges	<u>420,373</u>	<u>370,900</u>
Total expenses	<u>10,711,302</u>	<u>12,202,412</u>
Change in net position	(405,074)	(1,631,613)
Net position at beginning of year	<u>16,468,144</u>	<u>18,099,757</u>
Net position at end of year	<u>\$ 16,063,070</u>	<u>\$ 16,468,144</u>

Governmental Activities

Net position of the District's governmental activities decreased \$405,074. Total governmental expenses of \$10,711,302 were offset by program revenues of \$2,363,470 and general revenues of \$7,942,758. Program revenues supported 22.07% of the total governmental expenses.

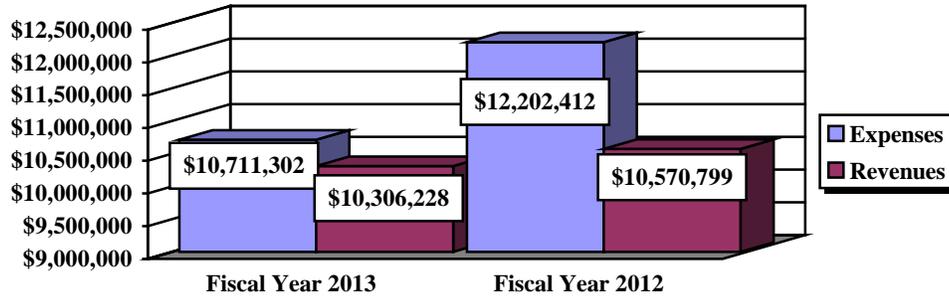
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 76.30% of total governmental revenue. Total revenues decreased 2.50%, which is primarily the result of decreased property taxes. This is mostly the result of an advance on fiscal year 2013 taxes which the District received in fiscal year 2012. Program revenues increased in 2013, especially charges for services and sales which is mostly due to increased open enrollment revenues for District students who live outside the District's boundaries.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,247,754 or 58.33% of total governmental expenses for fiscal year 2013. Most of the decrease in expenses can be attributed to a sizeable reduction in staff in 2013. In addition, in 2012 the District completed a \$715,000 project to purchase and install various energy conservation measures throughout the District.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.



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 <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Program expenses				
Instruction:				
Regular	\$ 4,620,367	\$ 3,545,068	\$ 5,118,930	\$ 4,126,767
Special	1,521,277	763,072	1,504,681	753,133
Vocational	106,110	42,998	171,875	105,819
Support services:				
Pupil	268,302	268,302	323,276	323,276
Instructional staff	249,608	227,054	368,942	318,709
Board of education	46,039	46,039	38,394	38,394
Administration	823,945	817,140	866,724	860,740
Fiscal	316,355	289,395	328,479	328,479
Operations and maintenance	876,179	873,679	1,556,972	1,551,972
Pupil transportation	584,395	517,289	708,648	639,676
Central	177,318	172,411	113,028	109,428
Food service operations	276,025	39,896	263,583	25,249
Other non-instructional services	3,485	(197)	4,963	53
Extracurricular activities	421,524	325,313	463,017	386,472
Interest and fiscal charges	420,373	420,373	370,900	370,900
Total expenses	<u>\$ 10,711,302</u>	<u>\$ 8,347,832</u>	<u>\$ 12,202,412</u>	<u>\$ 9,939,067</u>

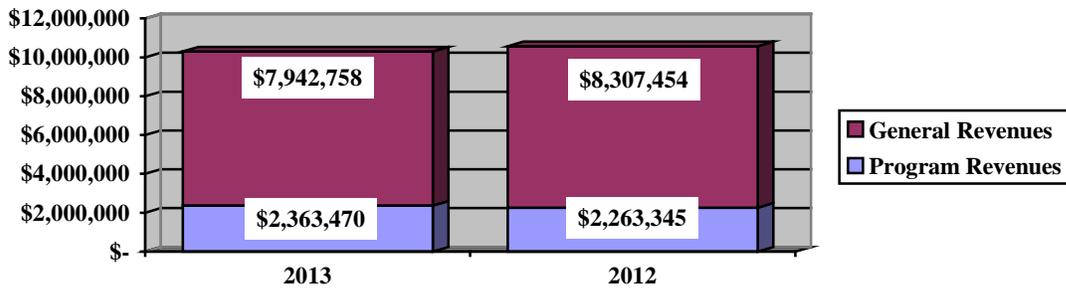
**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent; 69.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.93%. 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 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,070,123, which is \$373,633 higher than last year's total of \$696,490. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance (Deficit) <u>June 30, 2013</u>	Fund Balance (Deficit) <u>June 30, 2012</u>	Increase (Decrease) <u></u>
General	\$ 294,870	\$ (358)	\$ 295,228
Bond retirement	262,094	211,321	50,773
Permanent improvement	587,829	465,479	122,350
Nonmajor governmental	<u>(74,670)</u>	<u>20,048</u>	<u>(94,718)</u>
Total	<u>\$ 1,070,123</u>	<u>\$ 696,490</u>	<u>\$ 373,633</u>

General Fund

The District's general fund balance increased \$295,228 and reported a positive balance at June 30, 2013 after reporting a deficit in the prior year. Revenues decreased slightly in fiscal year 2013, but the District was able to significantly reduce its general fund expenditures.

As discussed previously, property tax revenues decreased significantly in 2013. However, this decrease was partially offset by a slight increase in income tax revenues. In addition, tuition revenues increased due to more open enrollment attendees for the District. These additional revenues kept the overall decline in general fund revenues to only 0.44%.

General fund expenditures decreased considerably in 2013. Most of the decrease is attributable to reduced staff and the 2012 expenditures for the energy conservation project, as previously discussed.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund for the past two fiscal years.

	2013 <u>Amount</u>	2012 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,186,768	\$ 3,267,731	\$ (80,963)	(2.48) %
Tuition	722,034	617,559	104,475	16.92 %
Earnings on investments	2,010	2,562	(552)	(21.55) %
Intergovernmental	4,452,882	4,534,824	(81,942)	(1.81) %
Other revenues	<u>458,273</u>	<u>437,944</u>	<u>20,329</u>	4.64 %
Total	<u>\$ 8,821,967</u>	<u>\$ 8,860,620</u>	<u>\$ (38,653)</u>	(0.44) %
<u>Expenditures</u>				
Instruction	\$ 5,203,757	\$ 5,583,496	\$ (379,739)	(6.80) %
Support services	3,056,707	3,941,385	(884,678)	(22.45) %
Non-instructional services	2,985	4,963	(1,978)	(39.85) %
Extracurricular activities	192,459	235,287	(42,828)	(18.20) %
Debt service	<u>19,468</u>	-	<u>19,468</u>	100.00 %
Total	<u>\$ 8,475,376</u>	<u>\$ 9,765,131</u>	<u>\$ (1,289,755)</u>	(13.21) %

Bond Retirement Fund

The District's bond retirement fund had \$7,356,819 in revenues and other financing sources and \$7,306,046 in expenditures. Approximately \$6.7 million for each of these amounts accounts for the other financing sources and uses related to the bond refunding undertaken during the year. During fiscal year 2013, the bond retirement fund's fund balance increased \$50,773 from \$211,321 to \$262,094.

Permanent Improvement Fund

The permanent improvement fund had \$347,116 in revenues and other financing sources and \$224,766 in expenditures. During fiscal year 2013, the permanent improvement fund's fund balance increased \$122,350 from \$465,479 to \$587,829. Revenues decreased in 2013 due to the decrease in property taxes revenue. However, the District accumulated enough resources in the fund to purchase two new school buses during the year.

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 2013, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,701,671 and final budgeted revenues and other financing sources were \$8,892,771. One of the more significant variances between the original and final budget came as a result of budgeting for the issuance of tax anticipation notes in the amount of \$500,000. Actual revenues and other financing sources for fiscal year 2013 were \$8,892,894.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,024,143 were increased to \$8,959,669 in the final appropriations. A significant portion of this increase came as a result of budgeting for the repayment of the aforementioned tax anticipation notes. The actual budget basis expenditures for fiscal year 2013 totaled \$8,957,671 which is \$1,998 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$22,515,849 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 2013 balances compared to 2012:

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

	Governmental Activities	
	2013	2012
Land	\$ 250,000	\$ 250,000
Land improvements	3,102,318	3,326,280
Building and improvements	18,408,099	18,959,348
Furniture and equipment	467,332	480,181
Vehicles	288,100	165,699
Total	\$ 22,515,849	\$ 23,181,508

The overall decrease in capital assets of \$665,659 is due to depreciation expense of \$865,191 exceeding capital outlays of \$199,532.

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

Debt Administration

At June 30, 2013, the District had \$7,038,331 in general obligation bonds and energy conservation bonds outstanding. Of this total, \$375,000 is due within one year and \$6,663,331 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2013	2012
General obligation bonds	\$ 6,423,331	\$ 6,579,205
Energy conservation bonds	615,000	665,000
Total	\$ 7,038,331	\$ 7,244,205

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Mechanicsburg Exempted Village School District has gone through some rocky financial times over the past few years. During the 2012-2013 school year the district reduced staffing by 16 employees. 14 of these were through Reduction In Force (RIF) and two employees left voluntarily. In addition, the Superintendent and Treasurer are shared services employees. These costs measures have resulted in Mechanicsburg EVSD coming to a balanced budget at the end of fiscal year 2013.

The District is heavily reliant upon income tax, property tax, and state support. The biggest of these three is state support. In recent years state support to Mechanicsburg has continued to either decline or remain at prior levels. This flat funding has not kept pace with increased costs to properly educate children and comply with state/federal unfunded mandates. In addition, Mechanicsburg is just now starting to see some minor increases in income tax revenue after the great recession.

A new state support model has been implemented during the 2013-2014 school year. Should this new funding materialize, then Mechanicsburg should remain in stable condition for the next couple of years. However, this has only been made possible as a result of changes to the employee insurance plan and employees forgoing any salary increase for the second year in a row.

Mechanicsburg is currently planning to ask voters for additional property tax revenue in the spring of 2014. Should the additional revenue be approved and the District continues to implement and monitor a conservative budget, then Mechanicsburg can become a much more financially stable entity.

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 Mr. Scott Maruniak, CFO/Treasurer, Mechanicsburg Exempted Village School District, 60 High Street, Mechanicsburg, Ohio 43044.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,083,918
Cash in segregated accounts	150,942
Receivables:	
Property taxes	2,680,677
Income taxes	548,139
Intergovernmental	85,174
Loans.	5,900
Prepayments	3,622
Materials and supplies inventory	4,141
Capital assets:	
Nondepreciable capital assets	250,000
Depreciable capital assets, net	22,265,849
Capital assets, net	22,515,849
Total assets	27,078,362
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	583,016
Total deferred outflows of resources.	583,016
 Liabilities:	
Accounts payable	57,031
Contracts payable	150,942
Accrued wages and benefits payable.	727,438
Pension obligation payable	144,430
Intergovernmental payable.	38,468
Accrued interest payable.	15,029
Long-term liabilities:	
Due within one year	458,468
Due in more than one year	7,875,762
Total liabilities.	9,467,568
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,130,740
Total deferred inflows of resources.	2,130,740
 Net position:	
Net investment in capital assets	15,914,932
Restricted for:	
Capital projects.	647,298
Debt service	237,933
Classroom facilities maintenance.	35,474
Unrestricted (deficit).	(772,567)
Total net position	\$ 16,063,070

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, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Change in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 4,620,367	\$ 1,039,175	\$ 36,124	\$ (3,545,068)
Special	1,521,277	3,070	755,135	(763,072)
Vocational	106,110	-	63,112	(42,998)
Support services:				
Pupil.	268,302	-	-	(268,302)
Instructional staff	249,608	6,218	16,336	(227,054)
Board of education	46,039	-	-	(46,039)
Administration.	823,945	5,305	1,500	(817,140)
Fiscal.	316,355	26,460	500	(289,395)
Operations and maintenance.	876,179	2,500	-	(873,679)
Pupil transportation	584,395	53	67,053	(517,289)
Central.	177,318	-	4,907	(172,411)
Operation of non-instructional services:				
Food service operations.	276,025	108,631	127,498	(39,896)
Other non-instructional services	3,485	3,182	500	197
Extracurricular activities	421,524	90,311	5,900	(325,313)
Interest and fiscal charges.	420,373	-	-	(420,373)
Totals.	\$ 10,711,302	\$ 1,284,905	\$ 1,078,565	(8,347,832)

General revenues:

Property taxes levied for:

General purposes	1,682,298
Debt service	433,026
Special revenue	30,724
Capital projects	168,415
School district income tax	1,480,545
Grants and entitlements not restricted	
to specific programs	4,068,934
Investment earnings	2,010
Miscellaneous	76,806
Total general revenues	7,942,758
Change in net position	(405,074)
Net position at beginning of year	16,468,144
Net position at end of year.	\$ 16,063,070

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 198,861	\$ 200,846	\$ 515,438	\$ 168,773	\$ 1,083,918
Cash in segregated accounts	-	-	-	150,942	150,942
Receivables:					
Property taxes	1,917,389	490,411	237,106	35,771	2,680,677
Income taxes	548,139	-	-	-	548,139
Intergovernmental	34,796	-	50,000	378	85,174
Interfund	37,998	-	-	-	37,998
Loans to other funds	144,447	-	-	-	144,447
Loans	5,900	-	-	-	5,900
Prepayments.	3,622	-	-	-	3,622
Materials and supplies inventory	-	-	-	4,141	4,141
Total assets	<u>\$ 2,891,152</u>	<u>\$ 691,257</u>	<u>\$ 802,544</u>	<u>\$ 360,005</u>	<u>\$ 4,744,958</u>
Liabilities:					
Accounts payable	\$ 7,143	\$ -	\$ -	\$ 49,888	\$ 57,031
Contracts payable.	-	-	-	150,942	150,942
Accrued wages and benefits payable	712,694	-	-	14,744	727,438
Pension obligation payable	139,873	-	-	4,557	144,430
Intergovernmental payable	37,849	-	-	619	38,468
Interfund payable	-	-	-	37,998	37,998
Loans from other funds	-	-	-	144,447	144,447
Total liabilities.	<u>897,559</u>	<u>-</u>	<u>-</u>	<u>403,195</u>	<u>1,300,754</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	1,519,724	384,960	197,822	28,234	2,130,740
Delinquent property tax revenue not available	168,464	44,203	16,893	3,246	232,806
Intergovernmental revenue not available	10,535	-	-	-	10,535
Total deferred inflows of resources.	<u>1,698,723</u>	<u>429,163</u>	<u>214,715</u>	<u>31,480</u>	<u>2,374,081</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	4,141	4,141
Prepayments	3,622	-	-	-	3,622
Long-term loans	144,447	-	-	-	144,447
Restricted:					
Debt service	-	262,094	-	-	262,094
Capital improvements	-	-	587,829	42,576	630,405
Classroom facilities maintenance	-	-	-	32,228	32,228
Extracurricular activities	-	-	-	2,603	2,603
Committed:					
Other purposes	-	-	-	20,357	20,357
Assigned:					
Student instruction	5,516	-	-	-	5,516
Student and staff support	69,402	-	-	-	69,402
Subsequent year's appropriations.	36,044	-	-	-	36,044
School supplies	30,524	-	-	-	30,524
Other purposes	5,315	-	-	-	5,315
Unassigned (deficit)	-	-	-	(176,575)	(176,575)
Total fund balances (deficit).	<u>294,870</u>	<u>262,094</u>	<u>587,829</u>	<u>(74,670)</u>	<u>1,070,123</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,891,152</u>	<u>\$ 691,257</u>	<u>\$ 802,544</u>	<u>\$ 360,005</u>	<u>\$ 4,744,958</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 POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	1,070,123
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			22,515,849
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	232,806	
Intergovernmental receivable		10,535	
Total		243,341	243,341
Unamortized premiums on bonds issued are not recognized in the funds.			(813,937)
Unamortized deferred charges on refundings are not recognized in the funds.			583,016
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(15,029)
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		(6,423,331)	
Conservation bonds payable		(615,000)	
Compensated absences payable		(481,962)	
Total		(7,520,293)	(7,520,293)
Net position of governmental activities		\$	16,063,070

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, 2013

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 1,706,223	\$ 446,162	\$ 172,275	\$ 31,458	\$ 2,356,118
Income taxes	1,480,545	-	-	-	1,480,545
Tuition	722,034	-	-	-	722,034
Earnings on investments	2,010	-	-	-	2,010
Charges for services	-	-	-	108,631	108,631
Extracurricular	28,088	-	-	69,534	97,622
Classroom materials and fees	29,012	-	-	-	29,012
Other local revenues	401,173	2,362	-	7,277	410,812
Intergovernmental - state	4,413,606	71,687	25,670	40,000	4,550,963
Intergovernmental - federal	39,276	16,758	-	574,340	630,374
Total revenues	<u>8,821,967</u>	<u>536,969</u>	<u>197,945</u>	<u>831,240</u>	<u>10,388,121</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,946,260	-	20,061	36,275	4,002,596
Special	1,159,674	-	4,175	350,011	1,513,860
Vocational	97,823	-	-	8,000	105,823
Support services:					
Pupil	278,251	-	-	499	278,750
Instructional staff	214,631	-	-	16,329	230,960
Board of education	46,039	-	-	-	46,039
Administration	802,290	901	329	1,563	805,083
Fiscal	330,166	12,456	4,752	1,373	348,747
Operations and maintenance	701,296	-	62,368	143,581	907,245
Pupil transportation	574,262	-	124,177	-	698,439
Central	109,772	-	8,904	52,704	171,380
Operation of non-instructional services:					
Food service operations	-	-	-	241,762	241,762
Other non-instructional services	2,985	-	-	500	3,485
Extracurricular activities	192,459	-	-	72,873	265,332
Facilities acquisition and construction	-	-	-	317	317
Debt service:					
Principal retirement	-	142,725	-	-	142,725
Interest and fiscal charges	19,468	273,542	-	-	293,010
Refunding bond issuance costs	-	137,476	-	-	137,476
Total expenditures	<u>8,475,376</u>	<u>567,100</u>	<u>224,766</u>	<u>925,787</u>	<u>10,193,029</u>
Excess (deficiency) of revenues over (under) expenditures	<u>346,591</u>	<u>(30,131)</u>	<u>(26,821)</u>	<u>(94,547)</u>	<u>195,092</u>
Other financing sources (uses):					
Premium on refunding bonds issued	-	848,491	-	-	848,491
Sale of refunding bonds	-	5,919,996	-	-	5,919,996
Transfers in	-	51,363	149,171	-	200,534
Transfers (out)	(51,363)	(149,000)	-	(171)	(200,534)
Payment to refunded bond escrow agent	-	(6,589,946)	-	-	(6,589,946)
Total other financing sources (uses)	<u>(51,363)</u>	<u>80,904</u>	<u>149,171</u>	<u>(171)</u>	<u>178,541</u>
Net change in fund balances	295,228	50,773	122,350	(94,718)	373,633
Fund balances (deficit) at beginning of year	(358)	211,321	465,479	20,048	696,490
Fund balances (deficit) at end of year	\$ 294,870	\$ 262,094	\$ 587,829	\$ (74,670)	\$ 1,070,123

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, 2013

Net change in fund balances - total governmental funds	\$	373,633
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 199,532	
Current year depreciation	<u>(865,191)</u>	
Total		(665,659)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(41,655)	
Intergovernmental	<u>(40,238)</u>	
Total		(81,893)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		142,725
The issuance of refunding bonds is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as an other financing source as it increases liabilities on the statement of net position.		
		(5,919,996)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities.		
		6,589,946
Premiums on refunding bonds are amortized over the life of the issuance in the statement of activities.		
		(848,491)
In the statement of activities, interest is accrued on outstanding bonds, 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:		
Decrease in accrued interest payable	11,503	
Elimination of unamortized bond issuance costs	(78,940)	
Accreted interest on capital appreciation bonds	(64,130)	
Retirement of accreted interest on capital appreciation bonds	127,275	
Amortization of bond premiums	42,105	
Amortization of deferred charges on refunding	<u>(27,700)</u>	
Total		10,113
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 governmental funds.		
		<u>(5,452)</u>
Change in net position of governmental activities	\$	<u><u>(405,074)</u></u>

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Property taxes	\$ 1,844,319	\$ 1,657,626	\$ 1,657,626	\$ -
Income taxes.	1,398,894	1,406,955	1,406,955	-
Tuition.	627,004	722,034	722,034	-
Earnings on investments	2,562	2,174	2,297	123
Other local revenues	93,946	95,426	95,426	-
Intergovernmental - state	4,513,414	4,413,606	4,413,606	-
Intergovernmental - federal	30,000	40,812	40,812	-
Total revenues.	<u>8,510,139</u>	<u>8,338,633</u>	<u>8,338,756</u>	<u>123</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,409,947	3,742,123	3,740,125	1,998
Special.	1,199,637	1,167,336	1,167,336	-
Vocational.	127,214	98,319	98,319	-
Support services:				
Pupil.	340,551	316,334	316,334	-
Instructional staff	315,717	210,156	210,156	-
Board of education	35,244	52,173	52,173	-
Administration.	572,972	792,917	792,917	-
Fiscal	163,813	325,178	325,178	-
Operations and maintenance.	1,204,757	739,104	739,104	-
Pupil transportation	329,213	591,853	591,853	-
Central.	114,129	114,871	114,871	-
Extracurricular activities.	60,949	193,455	193,455	-
Debt service:				
Principal	-	500,000	500,000	-
Interest and fiscal charges.	-	19,468	19,468	-
Total expenditures	<u>7,874,143</u>	<u>8,863,287</u>	<u>8,861,289</u>	<u>1,998</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>635,996</u>	<u>(524,654)</u>	<u>(522,533)</u>	<u>2,121</u>
Other financing sources (uses):				
Refund of prior year's expenditures	1,000	8,983	8,983	-
Sale of notes	-	500,000	500,000	-
Transfers in	-	171	171	-
Transfers (out).	(32,060)	(51,534)	(51,534)	-
Advances in.	180,000	44,984	44,984	-
Advances (out)	(117,940)	(44,848)	(44,848)	-
Sale of capital assets	10,532	-	-	-
Total other financing sources (uses)	<u>41,532</u>	<u>457,756</u>	<u>457,756</u>	<u>-</u>
Net change in fund balance	677,528	(66,898)	(64,777)	2,121
Fund balance at beginning of year	67,248	67,248	67,248	-
Prior year encumbrances appropriated	54,910	54,910	54,910	-
Fund balance at end of year	<u>\$ 799,686</u>	<u>\$ 55,260</u>	<u>\$ 57,381</u>	<u>\$ 2,121</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents . . .	\$ 57,545	\$ 49,851
Total assets.	57,545	\$ 49,851
Liabilities:		
Due to students.	-	\$ 43,951
Loans payable	-	5,900
Total liabilities	-	\$ 49,851
Net position:		
Held in trust for scholarships	57,545	
Total net position	\$ 57,545	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 441
Deductions:	
Scholarships awarded	392
Change in net position	49
Net position at beginning of year.	57,496
Net position at end of year	\$ 57,545

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, 2013**

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 34 non-certified and 61 certified employees to provide services to approximately 915 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'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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 2013.

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.

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CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

PUBLIC ENTITY RISK POOL

The District is also a participant in an insurance group purchasing pool, discussed in Note 11.

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 and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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.

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position 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, deferred outflows, liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

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 and deferred inflows and outflows of resources 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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.

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CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2013 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.
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 2013.
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, 2013. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

F. Cash and Investments

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

During fiscal year 2013, investments were limited to 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, 2013.

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 2013 amounted to \$2,010, which includes \$1,828 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 position but are not reported in the fund financial statements.

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CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. 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.

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:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
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 position.

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, 2013, 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.

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CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 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.

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.

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CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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.

Q. Unamortized Bond Premiums and Deferred Charges on Debt Refunding

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred inflow or resources or deferred outflow of resources.

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 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

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CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. As a result of the implementation of GASB Statement No. 65 the District has included unamortized bond issuance costs as a component of interest and fiscal charges on the statement of activities.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

Nonmajor governmental funds:

Food service	\$ 98,437
Management information system	2,000
Education jobs	151
IDEA Part B	18,000
Stimulus Title II D	1,585
Title I	36,502
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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 in Segregated Accounts

At June 30, 2013, the District had \$150,942 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$1,150,363. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$935,151 of the District’s bank balance of \$1,241,351 was exposed to custodial risk as discussed below, while \$306,200 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.

C. Investments

As of June 30, 2013, 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	\$ <u>40,951</u>	\$ <u>40,951</u>

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.

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, 2013:

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 40,951	100.00

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

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 position as of June 30, 2013:

<u>Cash and investments per note</u>		
Carrying amount of deposits		\$ 1,150,363
Investments		40,951
Cash in segregated accounts		<u>150,942</u>
Total		<u>\$ 1,342,256</u>
 <u>Cash and investments per statement of net position</u>		
Governmental activities		\$ 1,234,860
Private-purpose trust fund		57,545
Agency funds		<u>49,851</u>
Total		<u>\$ 1,342,256</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2013, 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	\$ 37,998

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

<u>Transfers from general fund to:</u>	
Bond retirement fund	\$ 51,363
<u>Transfers from bond retirement fund to:</u>	
Permanent improvement fund	149,000
<u>Transfers from nonmajor governmental funds to:</u>	
Permanent improvement fund	171

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. The transfer from the bond retirement fund to the permanent improvement fund was a transfer of excess funds resulting from the District's bond refunding. The classroom facilities nonmajor governmental fund transferred the residual balance of \$171 to the permanent improvement fund for the purpose of closing out the 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, 2013, 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	\$ 144,447

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, 2013 are reported on the statement of net position.

- D. Advances outstanding at June 30, 2013 between governmental funds and fiduciary funds consist of \$5,900 due to the general fund from the District's student managed activity agency fund. This balance is expected to be repaid within one year and is reported as loans receivable/payable on the financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 6 - PROPERTY TAXES - (Continued)

property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes.

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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$229,201 in the general fund, \$61,248 in the bond retirement fund, \$22,391 in the permanent improvement fund and \$4,291 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. 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). 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, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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 reported as a deferred inflow.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 84,910,100	96.27	\$ 84,973,530	96.42
Public utility personal	<u>3,290,140</u>	<u>3.73</u>	<u>3,152,070</u>	<u>3.58</u>
Total	<u>\$ 88,200,240</u>	<u>100.00</u>	<u>\$ 88,125,600</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$28.55		\$28.55	
Permanent improvement	5.50		5.50	
Bond retirement	6.00		6.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of property taxes, income taxes, intergovernmental grants and entitlements, and loans. 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 position follows:

Governmental activities:

Property taxes	\$ 2,680,677
Income taxes	548,139
Intergovernmental	85,174
Loans	<u>5,900</u>
Total	<u>\$ 3,319,890</u>

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 \$1,480,545 for fiscal year 2013.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance <u>6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/13</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Total capital assets, not being depreciated	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
<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	816,940	37,018	-	853,958
Vehicles	1,003,088	162,514	(187,074)	978,528
Total capital assets, being depreciated	<u>28,062,407</u>	<u>199,532</u>	<u>(187,074)</u>	<u>28,074,865</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,152,959)	(223,962)	-	(1,376,921)
Buildings and improvements	(2,803,792)	(551,249)	-	(3,355,041)
Furniture and equipment	(336,759)	(49,867)	-	(386,626)
Vehicles	(837,389)	(40,113)	187,074	(690,428)
Total accumulated depreciation	<u>(5,130,899)</u>	<u>(865,191)</u>	<u>187,074</u>	<u>(5,809,016)</u>
Governmental activities capital assets, net	<u>\$ 23,181,508</u>	<u>\$ (665,659)</u>	<u>\$ -</u>	<u>\$ 22,515,849</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 605,175
Vocational	287
<u>Support services:</u>	
Administration	18,897
Operations and maintenance	9,346
Pupil transportation	40,113
Central	3,763
Extracurricular activities	156,017
Food service operations	<u>31,593</u>
Total depreciation expense	<u>\$ 865,191</u>

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS

A. The following is a summary of the District's long-term obligations outstanding as of June 30, 2013:

	Balance Outstanding <u>6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>6/30/13</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<i>General obligation bonds:</i>					
<u>Series 2004</u>					
Current interest bonds	\$ 6,370,000	\$ -	\$ (5,920,000)	\$ 450,000	\$ 220,000
Capital appreciation bonds	92,725	-	(92,725)	-	-
Accreted interest	116,480	10,795	(127,275)	-	-
<u>Series 2012, refunding</u>					
Current interest bonds	-	5,805,000	-	5,805,000	105,000
Capital appreciation bonds	-	114,996	-	114,996	-
Accreted interest	-	53,335	-	53,335	-
Energy conservation bonds	665,000	-	(50,000)	615,000	50,000
Compensated absences payable	<u>502,118</u>	<u>60,439</u>	<u>(80,595)</u>	<u>481,962</u>	<u>83,468</u>
Total long-term obligations	<u>\$ 7,746,323</u>	<u>\$ 6,044,565</u>	<u>\$ (6,270,595)</u>	7,520,293	<u>\$ 458,468</u>
				Add: Unamortized premium on bonds	<u>813,937</u>
				Total on statement of net position	<u>\$ 8,334,230</u>

General obligation bonds, series 2004: The general obligation bonds, series 2004, were issued on April 1, 2004 and were 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 District refunded the callable current interest bonds during fiscal year 2013. The balance of the refunded bonds outstanding at June 30, 2013 is \$5,920,000. The refunded bonds are considered defeased (in substance) and therefore have been removed from the statement of net position.

General obligation bonds, series 2012 refunding: The series 2012 refunding bonds were issued on August 14, 2012, mature on December 31, 2031, and carry interest rates from 1.0% to 3.0%. The bonds are comprised of current interest serial bonds (par value \$5,805,000) and capital appreciation bonds (par value \$114,996). Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

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 capital appreciation bonds is \$1,050,000. Total accreted interest of \$53,335 has been included on the statement of net position.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The current interest bonds maturing on or after December 1, 2020 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, 2019 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.

The bonds were issued in order to advance refund the callable portion of the series 2004 general obligation bonds. The proceeds from the bond issue were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The reacquisition price exceeded the net carrying amount of the old debt by \$610,716. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments by \$838,474 and resulted in an economic gain of \$687,953.

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.

Tax Anticipation Note 2012:

The District issued Tax Anticipation Notes in the amount of \$500,000 during December 2012 and repaid the notes February 27, 2013.

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.

- B.** Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30.	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 325,000	\$ 151,238	\$ 476,238	\$ -	\$ -	\$ -
2015	335,000	141,188	476,188	-	-	-
2016	350,000	134,313	484,313	-	-	-
2017	-	132,563	132,563	55,412	294,588	350,000
2018	-	132,563	132,563	36,085	313,915	350,000
2019 - 2023	1,445,000	604,740	2,049,740	23,499	326,501	350,000
2024 - 2028	2,000,000	386,565	2,386,565	-	-	-
2029 - 2032	1,800,000	107,744	1,907,744	-	-	-
Total	\$ 6,255,000	\$ 1,790,914	\$ 8,045,914	\$ 114,996	\$ 935,004	\$ 1,050,000

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30,	Energy Conservation Bonds		
	Principal	Interest	Total
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	50,000	21,255	71,255
2019 - 2023	230,000	67,580	297,580
2024 - 2026	<u>135,000</u>	<u>11,036</u>	<u>146,036</u>
Total	<u>\$ 615,000</u>	<u>\$ 212,141</u>	<u>\$ 827,141</u>

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, 2013, are a voted debt margin of \$1,823,402 (including available funds of \$262,094) and an unvoted debt margin of \$88,126.

NOTE 11 - 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 is also offered.

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - RISK MANAGEMENT - (Continued)

During fiscal year 2013, 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	\$33,948,529
Automobile liability	12,000,000
Uninsured motorists	1,000,000
Crime	100,000
General liability:	
Per occurrence	12,000,000
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 2012.

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 12 - 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, under "Employers/Audit Resources".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 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, 2013, 2012 and 2011 were \$143,054, \$161,574 and \$151,847, respectively; 74.53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, under "Publications".

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2013, 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, 2013, 2012 and 2011 were \$437,293, \$517,297 and \$501,352, respectively; 82.98 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$17,800 made by the District and \$12,714 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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 (latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

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, 2013, 2012 and 2011 were \$20,710, \$26,184 and \$34,886, respectively; 74.53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$8,081, \$9,542 and \$9,772, respectively; 74.53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, 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, 2013, 2012 and 2011 were \$33,638, \$39,792 and \$38,566, respectively; 82.98 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - 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).

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	\$ (64,777)
Net adjustment for revenue accruals	120,364
Net adjustment for expenditure accruals	712,051
Net adjustment for other sources/uses	(509,119)
Funds budgeted elsewhere	(23,042)
Adjustment for encumbrances	59,751
GAAP basis	\$ 295,228

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 - CONTINGENCIES

A. Grants

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. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 16 - 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.

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, 2012	\$ -
Current year set-aside requirement	153,225
Current year offsets	<u>(250,998)</u>
Total	<u>\$ (97,773)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 17 - 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>	Year-End <u>Encumbrances</u>
General fund	\$ 55,875
Permanent improvement	288
Nonmajor governmental	<u>173,869</u>
Total	<u>\$ 230,032</u>

**Mechanicsburg Exempted Village School District
Champaign County**

Schedule of Federal Awards Expenditures
For The Fiscal Year Ended June 30, 2013

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
(Pass through Ohio Department of Education)			
Title I; Grants to LEA-Formula Total Title 1	84.010	\$ 228,749 <u>228,749</u>	\$ 228,648 <u>228,648</u>
Title II A; Improving Teacher Quality Total Title II-A	84.367	<u>30,831</u> 30,831	<u>30,831</u> 30,831
Title VI-B Total Title VI-B	84.027	<u>154,527</u> 154,527	<u>154,527</u> 154,527
RTTT Student Growth Total Student Growth	84.395	<u>10,000</u> 10,000	<u>10,000</u> 10,000
Education Jobs Total Education Jobs	84.410	<u>25,799</u> 25,799	<u>25,950</u> 25,950
TOTAL U.S. DEPARTMENT OF EDUCATION		449,906	449,956
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
(Passed through Ohio Department of Education)			
Child Nutrition Cluster:			
Food Distribution Program-Non-cash assistance	10.555	19,029	19,029
National School Lunch Program	10.555	<u>117,912</u>	<u>117,912</u>
Total Nutrition Cluster		<u>136,941</u>	<u>136,941</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		136,941	136,941
TOTAL FEDERAL ASSISTANCE		<u>\$ 586,847</u>	<u>\$ 586,897</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, 2013**

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 the entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2013, the District had commodities in inventory recorded in the Food Service Fund.

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**INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2013, wherein we noted the District implemented GASB Statements No. 63 and 65.

Internal Controls Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-MECH-01 described in the accompanying schedule of findings to be a material weakness.

Mechanicsburg Exempted Village School District
Champaign County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and on Compliance and
Other Matters Required by *Government Auditing Standards*

Compliance and Other Matters

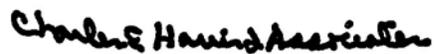
As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Finding

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
December 15, 2013

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INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the Mechanicsburg Exempted Village School District (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Mechanicsburg Exempted Village School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mechanicsburg Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Mechanicsburg Exempted Village School District
Champaign County
Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Federal
Program and Internal Control Over Compliance in
Accordance With OMB Circular A-133

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on its major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
December 15, 2013

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY
June 30, 2013**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(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	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510	No
(d)(1)(vii)	Major Programs:	Title I: CFDA #84.010 Title VI-B CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2013**

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

Finding Number: 2013-MECH-01 – Material Weakness

The District maintains its records on the cash basis throughout the year and contracts with an outside consultant to convert its year end statements to conform to GAAP.

An error in the conversion process understated June 30, 2013 accounts payable in the amount of \$47,797 in the capital projects building fund, a non major governmental fund. In the government-wide financial statements, the effect of this error was to understate the decrease in net position and overstate the ending net position by \$47,797, respectively. In the fund financial statements, the net decrease in fund balance for other governmental funds was understated \$47,797 and the ending fund balance for other governmental funds was overstated by \$47,797. The financial statements have been adjusted to reflect the proper presentation and management has agreed to the adjustment.

An effective system of internal control provides for the prevention or detection and timely correction of material misstatements of the financial statements. While management may obtain outside consultants to assist in the preparation of financial statements, management is responsible for reviewing and approving the work of those consultants and retains responsibility for the accuracy of those financial statements.

We recommend that management review its procedures for monitoring the work of outside consultants engaged for the preparation of the financial statements.

Management Response:

Management will review its procedures for monitoring and approving the work of outside consultants with respect to the preparation of the financial statements and address any deficiencies noted.

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, 2013**

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The Prior audit report for the year ended June 30, 2012 reported no material citations or recommendations.

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of the any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which we agreed to by the Board, solely to assist the Board in evaluating whether the Mechanicsburg Exempted Village School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. The agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any purpose.

1. We noted that the Board amended its anti-harassment policy at its meeting on June 12, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
December 15, 2013



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 6, 2014**