

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

*GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2000*

PATRICIA A. SHEFFIELD, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 Trimble, Julian, & Grube, Inc., for the audit period July 1, 1999 to June 30, 2000. 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.

JIM PETRO
Auditor of State

March 7, 2001

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

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Mechanicsburg Exempted Village School District, Champaign County, (the "District") as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mechanicsburg Exempted Village School District, Champaign County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
January 12, 2001

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Long-Term Obligations		
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$521,316	\$67,083	\$10,714	\$98,111	\$48,701	\$318	\$29,109				\$775,352
Equity in pooled cash and cash equivalents - nonexpendable trust fund							241				241
Investments - expendable trust funds							23,090				23,090
Investments - nonexpendable trust fund							6,200				6,200
Receivables (net of allowances of uncollectibles):											
Property and income taxes - current and delinquent	1,351,199			165,621							1,516,820
Accounts	3,942	200			187						4,329
Accrued interest	62										62
Interfund loan receivable	10,000										10,000
Prepayments	7,084				3,950						7,084
Materials and supplies inventory											3,950
Restricted assets:											
Equity in pooled cash and cash equivalents	83,980										83,980
Property, plant and equipment (net of accumulated depreciation where applicable)					23,818				\$4,057,714		4,081,532
OTHER DEBITS:											
Amount available in Debt Service Fund									\$10,714		10,714
Amount to be provided for retirement of General Long-Term Obligations									486,653		486,653
Total assets and other debits	<u>\$1,977,583</u>	<u>\$67,283</u>	<u>\$10,714</u>	<u>\$263,732</u>	<u>\$76,656</u>	<u>\$318</u>	<u>\$58,640</u>	<u>\$4,057,714</u>	<u>\$497,367</u>		<u>\$7,010,007</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$25,874	\$365	-	\$4,446	-	-	-	-	-	\$30,685
Accrued wages and benefits	282,055	9,740	-	-	-	-	-	-	-	297,572
Compensated absences payable	2,931	-	-	-	\$5,777	-	-	-	\$229,361	238,167
Pension obligation payable	65,560	1,870	-	-	5,875	-	-	-	28,575	103,441
Interfund loan payable	-	10,000	-	-	7,436	-	-	-	-	10,000
Deferred revenue	1,092,452	-	-	146,413	882	-	-	-	-	1,239,747
Due to other governments	1,851	-	-	-	-	-	\$283	-	-	2,134
Due to students	-	-	-	-	-	-	28,826	-	-	28,826
Energy conservation note payable	-	-	-	-	-	-	-	72,784	-	72,784
Obligation under capital leases	-	-	-	-	-	-	-	166,647	-	166,647
Total liabilities	1,470,723	21,975	-	150,859	19,970	-	29,109	-	497,367	2,190,003
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets	-	-	-	-	-	-	-	\$4,057,714	-	4,057,714
Retained earnings: unreserved	-	-	-	-	56,686	\$318	-	-	-	57,004
Fund balances:										
Reserved for encumbrances	67,020	860	-	21,709	-	-	-	-	-	89,589
Reserved for prepayments	7,084	-	-	-	-	-	-	-	-	7,084
Reserved for debt service	-	-	\$10,714	-	-	-	-	-	-	10,714
Reserved for tax revenue unavailable for appropriation	144,847	-	-	19,208	-	-	-	-	-	164,055
Reserved for principal endowment	-	-	-	-	-	-	6,200	-	-	6,200
Reserved for budget stabilization	83,980	-	-	-	-	-	241	-	-	83,980
Reserved for scholarships	-	-	-	-	-	-	-	-	-	241
Designated for budget stabilization	3,653	-	-	-	-	-	-	-	-	3,653
Unreserved-undesignated	200,276	44,448	-	71,956	-	-	23,090	-	-	339,770
Total equity and other credits	506,860	45,308	10,714	112,873	56,686	318	29,531	4,057,714	-	4,820,004
Total liabilities, equity and other credits	\$1,977,583	\$67,283	\$10,714	\$263,732	\$76,656	\$318	\$58,640	\$4,057,714	\$497,367	\$7,010,007

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$1,508,386			\$160,362		\$1,668,748
Tuition	35,703					35,703
Earnings (Loss) on investments	51,136				(\$15,634)	35,502
Extracurricular Activities		\$96,550				96,550
Other local revenues	27,686	14,582				42,268
Intergovernmental - State	2,788,871	15,952		111,888		2,916,711
Intergovernmental - Federal		180,458				180,458
Total revenues	4,411,782	307,542	-	272,250	(15,634)	4,975,940
Expenditures:						
Current:						
Instruction:						
Regular	1,843,502	44,528		5,185		1,893,215
Special	342,889	126,981				469,870
Vocational	129,622					129,622
Support services:						
Pupil	189,597	21,887		9,281		220,765
Instructional staff	150,990	21,583		294		172,867
Board of Education	11,786					11,786
Administration	476,405	19,410				495,815
Fiscal	173,937	1,903		3,976		179,816
Operations and maintenance	368,370	460		121,493	5,709	496,032
Pupil transportation	285,818	12,677				298,495
Central	43,757					43,757
Community services					500	500
Extracurricular activities	103,759	58,806				162,565
Facilities services				138,893		138,893
Capital outlay	188,640					188,640
Debt service:						
Principal retirement	8,230		\$17,352			25,582
Interest and fiscal charges	4,742		5,035			9,777
Total expenditures	4,322,044	308,235	22,387	279,122	6,209	4,937,997
Excess (deficiency) of revenues over (under) expenditures	89,738	(693)	(22,387)	(6,872)	(21,843)	37,943
Other financing sources (uses):						
Operating transfers in			22,387			22,387
Operating transfers out	(22,387)					(22,387)
Proceeds of capital lease transaction	146,040					146,040
Proceeds from sale of assets	44,265					44,265
Total other financing sources (uses)	167,918	-	22,387	-	-	190,305
Excess (deficiency) of revenues and other financing sources over (under) expenditures	257,656	(693)	0	(6,872)	(21,843)	228,248
Fund balances, July 1	249,204	46,001	10,714	119,745	44,933	470,597
Fund balances, June 30	\$506,860	\$45,308	\$10,714	\$112,873	\$23,090	\$698,845

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

CHAMPAIGN COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$1,484,560	\$1,469,666	(\$14,894)												
Tuition.....	43,500	31,761	(11,739)												
Earnings on investments.....	51,000	51,558	558												
Extracurricular activities.....	106,200	105,703	(497)	\$96,550	\$0	(17,493)	\$96,550	0							
Other local revenues.....	2,883,572	2,788,871	(94,701)	31,790	14,297	(17,493)	15,952	0							
Intergovernmental - State.....				197,276	185,710	(11,566)									
Intergovernmental - Federal.....				341,568	312,509	(29,059)									
Total revenues.....	4,568,832	4,447,559	(121,273)												
Expenditures:															
Current:															
Instruction:															
Regular.....	2,012,721	1,957,800	54,921	62,543	44,681	17,862									
Special.....	352,349	343,249	9,100	145,944	131,746	14,198									
Vocational.....	132,685	128,656	4,029												
Support services:															
Pupil.....	221,583	206,417	15,166	24,217	23,137	1,080									
Instructional staff.....	175,009	158,731	16,278	23,630	22,257	1,373									
Board of Education.....	23,924	12,614	11,310												
Administration.....	498,112	477,464	20,648	21,396	19,410	1,986									
Fiscal.....	182,859	172,164	10,695	1,910	1,903	7									
Operations and maintenance.....	426,004	382,403	43,601	460	460	0									
Pupil transportation.....	445,313	422,200	23,113	15,576	12,677	2,899									
Central.....		44,974	1,100												
Extracurricular activities.....	123,961	104,547	19,414	80,510	66,584	13,926									
Facilities services.....															
Debt service:															
Principal retirement.....				\$17,352	\$17,352	\$0									
Interest and fiscal charges.....				5,148	5,035	113									
Total expenditures.....	4,640,594	4,411,219	229,375	376,186	322,855	53,331									
Excess (deficiency) of revenues over (under) expenditures.....	(71,762)	36,340	108,102	(34,618)	(10,346)	24,272	(22,500)	(22,387)	113	(78,828)	(37,979)	40,849	(207,708)	(34,372)	173,336
Other financing sources (uses):															
Refund of prior year's expenditures.....	9,000	7,157	(1,843)	200	198	(2)									
Operating transfers in.....	63,501	63,501	0												
Operating transfers (out).....	(87,761)	(85,888)	1,873				22,500	22,387	(113)				9,200	7,355	(1,845)
Advances in.....	60,300	60,284	(16)	34,094	34,094	0							86,001	85,888	(113)
Advances (out).....	(60,000)	(51,566)	8,434	(52,812)	(42,812)	10,000							(87,761)	(85,888)	1,873
Proceeds from sale of fixed assets.....	44,500	44,265	(235)										17,536	17,472	(64)
Pass-through payments.....	(63,501)	0	63,501										(17,600)	(17,472)	128
Total other financing sources (uses).....	(33,961)	37,753	71,714	(18,518)	(8,520)	9,998	22,500	22,387	(113)	(64)	0	64	(30,043)	(30,043)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(105,723)	74,093	179,816	(53,136)	(18,866)	34,270	0	0	0	(78,892)	(37,979)	40,913	(237,751)	(237,751)	17,248
Fund balances, July 1.....	438,165	438,165	0	76,179	76,179	0	10,714	10,714	0	106,277	106,277	0	631,335	631,335	0
Prior year encumbrances appropriated.....	18,134	18,134	0	8,569	8,569	0				4,054	4,054	0	30,757	30,757	0
Fund balances, June 30.....	\$350,576	\$530,392	\$179,816	\$31,612	\$65,882	\$34,270	\$10,714	\$10,714	\$0	\$31,439	\$72,352	\$40,913	\$424,341	\$679,340	\$254,999

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees	\$27,640			\$27,640
Sales/charges for services	133,573	\$61,679		195,252
Investment earnings			\$328	328
Total operating revenues	161,213	61,679	328	223,220
Operating expenses:				
Personal services	64,264	60,692		124,956
Contract services	2,118	39		2,157
Materials and supplies	138,501	1,203	77	139,781
Depreciation	3,487			3,487
Other	93	4,014	214	4,321
Total operating expenses	208,463	65,948	291	274,702
Operating income (loss)	(47,250)	(4,269)	37	(51,482)
Nonoperating revenues:				
Operating grants	31,218			31,218
Federal commodities	14,395			14,395
Interest revenue	2,543			2,543
Total nonoperating revenues	48,156	-	-	48,156
Net income (loss)	906	(4,269)	37	(3,326)
Retained earnings/fund balance July 1	55,780	4,587	6,404	66,771
Retained earnings/fund balance June 30	<u>\$56,686</u>	<u>\$318</u>	<u>\$6,441</u>	<u>\$63,445</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees	\$27,567			\$27,567
Cash received from sales/service charges	133,608	\$61,679		195,287
Cash payments for personal services	(70,537)	(60,692)		(131,229)
Cash payments for contract services	(2,118)	(39)		(2,157)
Cash payments for materials and supplies	(124,628)	(1,203)	(\$77)	(125,908)
Cash payments for other expenses	(93)	(4,014)	(214)	(4,321)
Net cash used in operating activities	(36,201)	(4,269)	(291)	(40,761)
Cash flows from noncapital financing activities:				
Cash received from operating grants	35,591			35,591
Net cash provided by noncapital financing activities	35,591	-	-	35,591
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(6,696)			(6,696)
Net cash used in capital and related financing activities	(6,696)	-	-	(6,696)
Cash flows from investing activities:				
Interest received	2,543		328	2,871
Net cash provided by investing activities	2,543	-	328	2,871
Net increase (decrease) in cash and cash equivalents	(4,763)	(4,269)	37	(8,995)
Cash and cash equivalents at beginning of year	53,464	4,587	204	58,255
Cash and cash equivalents at end of year	<u>\$48,701</u>	<u>\$318</u>	<u>\$241</u>	<u>\$49,260</u>
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	(\$47,250)	(\$4,269)	\$37	(\$51,482)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation	3,487			3,487
Federal donated commodities	14,395			14,395
Interest reported as operating income			(328)	(328)
Changes in assets and liabilities:				
Increase in materials and supplies inventory	(297)			(297)
Increase in accounts receivable	(38)			(38)
Decrease in accrued wages & benefits	(1,800)			(1,800)
Increase in compensated absences payable	736			736
Decrease in pension obligation payable	(5,209)			(5,209)
Decrease in deferred revenue	(225)			(225)
Net cash used in operating activities	<u>(\$36,201)</u>	<u>(\$4,269)</u>	<u>(\$291)</u>	<u>(\$40,761)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 25 non-certified and 63 (including administrative) full-time and part-time employees to provide services to approximately 827 students in grades K through 12 and various community groups, which ranks it 543 out of approximately 660 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. 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 operating under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Ohio Hi-Point Career Center, 2280 State Route 540, Bellefontaine, Ohio 43311. The District did not contribute money to the Ohio Hi-Point Career Center during fiscal year 2000.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

Western Ohio Computer Organization (WOCO)

The Western Ohio Computer Organization Computer Association (WOCO) is a computer consortium among 29 area school districts. The consortium was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each member district supports WOCO based upon a per pupil charge dependent upon the software package utilized. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The District paid WOCO \$15,994 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Related Organizations:

Mechanicsburg Public Library

The Mechanicsburg Public Library is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public 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 2000.

Public Entity Risk Pool:

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than Expendable Trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

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 where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary funds. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the 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 June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) 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. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. 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 departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation 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 during fiscal 2000 in the following amounts:

	<u>Increase</u>	<u>(Decrease)</u>
General fund	\$319,549	
Special Revenue funds	64,693	
Debt Service fund		\$(50,000)
Capital Projects funds	205,488	
Internal Service fund	14,600	
Trust funds	<u>76</u>	<u> </u>
Total	<u>\$604,406</u>	<u>\$(50,000)</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary basis and GAAP basis of accounting.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary 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" (both unrestricted and restricted) on the combined balance sheet.

During 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit and donated common stock.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

Calculation of the Net Increase in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 2000	\$ 18,500
Add: Proceeds of investments sold fiscal 2000	0
Less: Cost of investments purchased	(0)
Less: Fair value at June 30, 1999	<u>(34,500)</u>
Change in fair value of investments	<u><u>\$(16,000)</u></u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

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 share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 2000 totaled \$51,136 which included \$17,028 assigned from other funds of the District.

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

F. Inventory

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepayments

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayment and deferrals are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. 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 capitalized. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary and Nonexpendable Trust Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Teacher Development
Management Information Systems
Disadvantaged Pupil Impact Aid
Title VI-B
Title I
Title VI
Drug-Free Schools
Ohio Reads Grant

Non-Reimbursable Grants - (continued)

Capital Project Funds

School Net
Technology Equity
Emergency Building Repairs

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education

Proprietary

National School Lunch Program
National School Milk Program

Grants and entitlements amounted to over 58% of the District's operating revenue during the 2000 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 Statement No. 16 of the GASB, 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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date 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 severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

K. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation, and budget stabilization. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balances represent planned actions for additional monies set-aside by the District for budget stabilization.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

M. Interfund Transactions

Transactions between funds during the normal course of operations may occur. These may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District’s interfund transactions for fiscal year 2000 is presented in Note 5.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

N. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserved</u>	<u>Designated</u>
Set-aside cash balance as of June 30, 1999	\$ 10,636	\$ 0	\$51,647	\$ 0
Current year set-aside requirement	97,000	97,000	32,333	
Additional set-aside				3,653
Current year offsets		(154,452)		
Qualifying disbursements	<u>(139,015)</u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>(31,379)</u>	<u>(57,452)</u>	<u>83,980</u>	<u>3,653</u>
Cash balance/qualifying carry forward to FY 2001	<u>\$ 31,379</u>	<u>\$ 57,452</u>	<u>\$83,980</u>	<u>\$3,653</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts are being carried forward to reduce the set-aside requirements of future years. During fiscal 2000, the District elected to set-aside \$3,653 in excess of the statutory requirements for budget stabilization. The excess is reported as designated fund balance on the combined balance sheet.

A schedule of the restricted assets at June 30, 2000 follows:

Total amount restricted for budget stabilization	<u>\$83,980</u>
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O. Statement of Cash Flows

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See note 2.N. for statutory reserves.

R. Estimates

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

S. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ (8)
Title I	(11,723)
Miscellaneous Federal Grants	(47)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS
- (Continued)**

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS
- (Continued)**

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

Cash on Hand: At year end, the District had \$1,900 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in pooled cash and cash equivalents", but is not included in the total amount of deposits reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year end, the carrying amount of the District's deposits was \$250,104 and the bank balance was \$345,202 both amounts include \$10,790 in non-negotiable certificates of deposit. Of the bank balance:

1. \$207,090 was covered by federal depository insurance.
2. \$138,112 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS
- (Continued)**

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 1	Fair Value
Donated Common Stock	\$18,500	\$ 18,500
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	N/A	618,359
Total Investments	\$18,500	\$636,859

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 859,573	\$ 29,290
Investments of the Cash		
Management Pool:		
Certificates of Deposit	10,790	(10,790)
State Treasurer's Investment Pool	(618,359)	618,359
Cash on Hand	(1,900)	
GASB Statement No. 3	\$ 250,104	\$636,859

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(22,387)
Debt Service Fund	\$22,387	_____
Totals	<u>\$22,387</u>	<u>\$(22,387)</u>

B. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and/or payable:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan (Payable)</u>
General Fund	\$10,000	
<u>Special Revenue Fund</u> Title I	_____	\$(10,000)
Total All Fund Types	<u>\$10,000</u>	<u>\$(10,000)</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,057,470	87.25	\$47,626,920	87.89
Public Utility Personal	2,954,525	5.60	3,733,870	6.89
Tangible Personal Property	3,775,810	7.15	2,828,240	5.22
	<u>\$52,787,805</u>	<u>100.00</u>	<u>\$54,189,030</u>	<u>100.00</u>

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

Operations	\$31.90	\$31.90
Permanent Improvements	5.00	5.00

The Champaign County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$144,847 in the General fund and \$19,208 in the Permanent Improvements fund.

NOTE 7 - INCOME TAX

The District levies a voted tax of ½ of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1997, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Total income tax revenue for fiscal 2000, credited to the General fund, was \$417,344, which includes a receivable at June 30, 2000, of \$113,900.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (rent and student fees) and intergovernmental grants and entitlements (to the extent that such grants and entitlements relate to the current year). 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 grants.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Property and income	\$1,351,199
Accounts	3,942
<u>Capital Projects Funds</u>	
Taxes - Property	165,621

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 9 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/Improvements	\$ 2,000			\$ 2,000
Buildings	2,846,278	\$129,499		2,975,777
Furniture/Equipment	710,469	69,989	\$ (36,819)	743,639
Vehicles	<u>302,677</u>	<u>127,523</u>	<u>(93,902)</u>	<u>336,298</u>
Total	<u>\$3,861,424</u>	<u>\$327,011</u>	<u>\$(130,721)</u>	<u>\$4,057,714</u>

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 87,413
Less: Accumulated Depreciation	<u>(63,595)</u>
Net Fixed Assets	<u>\$ 23,818</u>

There was no significant construction in progress at June 30, 2000.

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current year, and in prior fiscal years, the District has entered into capitalized leases for the acquisition of copiers, buses, bus radios and computers. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$200,189, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$8,230. This amount is reflected as debt service principal retirement in the General fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2000.

<u>General Long-Term Obligations</u>				
<u>Year Ending June 30</u>	<u>Copiers</u>	<u>Buses</u>	<u>Computers</u>	<u>Total</u>
2001	\$13,130	\$ 33,157	\$16,591	\$ 62,878
2002	13,130	33,158	16,591	62,879
2003	13,130	33,161	16,591	62,882
2004	6,328	1,661		7,989
2005	<u>2,484</u>	<u> </u>	<u> </u>	<u>2,484</u>
Total Future Minimum Lease Payments	<u>48,202</u>	<u>101,137</u>	<u>49,773</u>	<u>199,112</u>
Less: Amount Representing Interest				<u>(32,465)</u>
Present Value of Future Minimum Lease Payments				<u>\$166,647</u>

NOTE 11 - LONG-TERM OBLIGATIONS

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

A. The following is a description of the Mechanicsburg Exempted Village School District note outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 07/01/99</u>	<u>Retired in Fiscal 2000</u>	<u>Balance 06/30/00</u>
HB 264 Energy Conservation Note	5.49%	08/15/96	08/01/06	<u>\$173,515</u>	<u>\$90,136</u>	<u>\$(17,352)</u>	<u>\$72,784</u>
				<u>\$173,515</u>	<u>\$90,136</u>	<u>\$(17,352)</u>	<u>\$72,784</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation note:

<u>Year Ending June 30</u>	<u>Principal HB 264 Energy Conservation Note</u>	<u>Interest HB 264 Energy Conservation Note</u>	<u>Total</u>
2001	\$17,352	\$3,758	\$21,110
2002	17,352	2,805	20,157
2003	17,352	1,853	19,205
2004	17,352	900	18,252
2005	<u>3,376</u>	<u>93</u>	<u>3,469</u>
Total	<u>\$72,784</u>	<u>\$9,409</u>	<u>\$82,193</u>

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated Absences	\$200,177	\$ 75,279	\$(46,095)	\$229,361
Pension Obligation Payable	25,584	28,575	(25,584)	28,575
HB 264 Energy Conservation Notes	90,136		(17,352)	72,784
Capital Lease	<u>28,837</u>	<u>146,040</u>	<u>(8,230)</u>	<u>166,647</u>
Total	<u>\$344,734</u>	<u>\$249,894</u>	<u>\$(97,261)</u>	<u>\$497,367</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$4,887,727 (including available funds of \$10,714) and an unvoted debt margin of \$54,189.

NOTE 12 - RISK MANAGEMENT

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

The District provides medical/surgical benefits to its employees through the United Health Care, a fully funded program. The District has elected to provide employee dental insurance, life insurance, accidental death and dismemberment insurance through Combined Insurance Co., a fully funded program.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

During fiscal year 2000, the District contracted with Nationwide Mutual Fire Insurance Company for property and fleet insurance, liability insurance and inland marine coverage. Coverage's provided by Nationwide Insurance are as follows:

Building and Contents - replacement cost	\$14,666,600
Automobile Liability	1,000,000
Uninsured Motorists	100,000
Crime	5,000
General Liability	
Per Occurrence	1,000,000
Total Per Year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from fiscal year 1999.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 12 - RISK MANAGEMENT - (Continued)

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies and Special Enterprise. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Enterprise</u>	<u>Total</u>
Operating Revenue	\$130,939	\$27,640	\$2,634	\$161,213
Depreciation Expense	3,487			3,487
Operating Income (Loss)	(46,838)	(547)	135	(47,250)
Non-operating Revenue:				
Donated federal commodities	14,395			14,395
Operating grants	31,218			31,218
Net Income (Loss)	1,318	(547)	135	906
Net Working Capital	29,709	7,264	1,610	38,583
Fixed Assets:				
Additions	6,696			6,696
Total Assets	67,782	7,264	1,610	76,656
Long-Term Liabilities				
Payable from Fund				
Revenues	5,715			5,715
Total Fund Equity	47,812	7,264	1,610	56,686

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$86,297, \$77,584, and \$78,799, respectively; 49 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$42,264, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. STATE TEACHERS RETIREMENT SYSTEM

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$331,449, \$309,273, and \$293,328, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$55,024, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$189,399 during the 2000 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$46,099 during the 2000 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Budget Basis	\$ 74,093	\$(18,866)	\$(37,979)
Net Adjustment for Revenue Accruals	(35,777)	(4,967)	5,910
Net Adjustment for Expenditure Accruals	14,271	13,419	(562)
Net Adjustment for Other Financing Sources/(Uses)	130,165	8,520	
Adjustment for Encumbrances	<u>74,904</u>	<u>1,201</u>	<u>25,759</u>
GAAP Basis	<u>\$257,656</u>	<u>\$ (693)</u>	<u>\$ (6,872)</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

Currently, the District is involved in litigation. However, the District's management and legal counsel is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material affect, if any, on the financial condition of the District.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$2,949,313 of school foundation support for its General fund.

The Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the District received a total of \$87,360 under this program.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 17 - CONTINGENT LIABILITIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

NOTE 18 - SUBSEQUENT EVENT

On November 30, 2000, the District sold its donated stock of 800 shares of Security Banc Corp. Common Stock at a realized gain of \$2,787.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

We have audited the general purpose financial statements of Mechanicsburg Exempted Village School District as of and for the year ended June 30, 2000, and have issued our report thereon dated January 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mechanicsburg Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Mechanicsburg Exempted Village School District in a separate letter dated January 12, 2001.

Board of Education
Mechanicsburg Exempted Village School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mechanicsburg Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Mechanicsburg Exempted Village School District in a separate letter dated January 12, 2001.

This report is intended for the information and use of the management and Board of Education of Mechanicsburg Exempted Village School District, Champaign County, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
January 12, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 15, 2001**