

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

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2003***

**PATRICIA A. SHEFFIELD, TREASURER**





**Auditor of State  
Betty Montgomery**

Board of Education  
Mechanicsburg Exempted Village School District  
Mechanicsburg, Ohio

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, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 12, 2003

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

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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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 (the “District”), Champaign County, Ohio, as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Mechanicsburg Exempted Village School District 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 auditing standards generally accepted in the United States of America 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose 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, Ohio, as of June 30, 2003, 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 accounting principles generally accepted in the United States of America.

As disclosed in Note 3A, the District had a correction of an error related to understated wages and benefits payable at June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2003 on our consideration of the Mechanicsburg Exempted Village School 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.  
November 12, 2003

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,194,005	\$ 90,898	\$ 12,289	\$ 166,142
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .	-	-	-	-
Investments . . . . .	-	-	-	-
Investments - nonexpendable trust . . . . .	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent . . . . .	1,612,100	-	-	176,784
Accounts . . . . .	875	-	-	-
Accrued interest . . . . .	592	-	-	-
Interfund loan receivable . . . . .	12,543	-	-	-
Due from other governments . . . . .	-	17,022	-	-
Materials and supplies inventory . . . . .	-	-	-	-
Prepayments . . . . .	10,903	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	24,392	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b><u>\$ 2,855,410</u></b>	<b><u>\$ 107,920</u></b>	<b><u>\$ 12,289</u></b>	<b><u>\$ 342,926</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ 27,013	\$ 12,625	\$ -	\$ 27,136
Accrued wages and benefits . . . . .	463,648	-	-	-
Compensated absences payable . . . . .	8,033	-	-	-
Pension obligation payable . . . . .	86,780	-	-	-
Interfund loan payable . . . . .	-	12,543	-	-
Deferred revenue . . . . .	1,365,117	17,022	-	162,484
Due to other governments . . . . .	20,318	935	-	1
Due to students . . . . .	-	-	-	-
General obligation notes payable . . . . .	-	-	-	-
Energy conservation notes payable . . . . .	-	-	-	-
Obligation under capital lease . . . . .	-	-	-	-
<b>Total liabilities . . . . .</b>	<b><u>1,970,909</u></b>	<b><u>43,125</u></b>	<b><u>-</u></b>	<b><u>189,621</u></b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Retained earnings (accumulated deficit) . . . . .	-	-	-	-
Fund balances :				
Reserved for encumbrances . . . . .	28,040	7,882	-	5,205
Reserved for prepayments . . . . .	10,903	-	-	-
Reserved for debt service . . . . .	-	-	12,289	-
Reserved for tax revenue unavailable for appropriation . . . . .	124,810	-	-	14,300
Reserved for BWC refunds . . . . .	24,392	-	-	-
Reserved for principal endowment . . . . .	-	-	-	-
Unreserved-undesignated . . . . .	696,356	56,913	-	133,800
<b>Total equity and other credits . . . . .</b>	<b><u>884,501</u></b>	<b><u>64,795</u></b>	<b><u>12,289</u></b>	<b><u>153,305</u></b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b><u>\$ 2,855,410</u></b>	<b><u>\$ 107,920</u></b>	<b><u>\$ 12,289</u></b>	<b><u>\$ 342,926</u></b>

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



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 38,863	\$ 8,035	\$ 63,362	\$ -	\$ -	\$ 1,573,594
-	-	355	-	-	355
-	-	3,635	-	-	3,635
-	-	6,200	-	-	6,200
-	-	-	-	-	1,788,884
-	-	-	-	-	875
-	-	90	-	-	682
-	-	-	-	-	12,543
429	-	-	-	-	17,451
3,673	-	-	-	-	3,673
-	-	-	-	-	10,903
-	-	-	-	-	24,392
13,471	-	-	4,455,489	-	4,468,960
-	-	-	-	12,289	12,289
-	-	-	-	483,152	483,152
<u>\$ 56,436</u>	<u>\$ 8,035</u>	<u>\$ 73,642</u>	<u>\$ 4,455,489</u>	<u>\$ 495,441</u>	<u>\$ 8,407,588</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,774
9,740	15,724	-	-	-	489,112
1,104	-	-	-	314,248	323,385
9,067	-	-	-	40,969	136,816
-	-	-	-	-	12,543
-	-	90	-	-	1,544,713
420	-	255	-	-	21,929
-	-	37,337	-	-	37,337
-	-	-	-	73,333	73,333
-	-	-	-	20,730	20,730
-	-	-	-	46,161	46,161
<u>20,331</u>	<u>15,724</u>	<u>37,682</u>	<u>-</u>	<u>495,441</u>	<u>2,772,833</u>
-	-	-	4,455,489	-	4,455,489
36,105	(7,689)	355	-	-	28,771
-	-	-	-	-	41,127
-	-	-	-	-	10,903
-	-	-	-	-	12,289
-	-	-	-	-	139,110
-	-	-	-	-	24,392
-	-	6,200	-	-	6,200
-	-	29,405	-	-	916,474
<u>36,105</u>	<u>(7,689)</u>	<u>35,960</u>	<u>4,455,489</u>	<u>-</u>	<u>5,634,755</u>
<u>\$ 56,436</u>	<u>\$ 8,035</u>	<u>\$ 73,642</u>	<u>\$ 4,455,489</u>	<u>\$ 495,441</u>	<u>\$ 8,407,588</u>

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**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 FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 1,749,493	\$ -	\$ -	\$ 171,520	\$ -	\$ 1,921,013
Tuition . . . . .	23,861	-	-	-	-	23,861
Earnings on investments . . . . .	25,482	-	-	-	1,758	27,240
Extracurricular . . . . .	-	106,022	-	-	-	106,022
Other local revenues . . . . .	52,742	25,871	-	-	-	78,613
Intergovernmental - State . . . . .	3,782,619	25,571	-	17,858	-	3,826,048
Intergovernmental - Federal . . . . .	-	218,828	-	-	-	218,828
<b>Total revenues . . . . .</b>	<b>5,634,197</b>	<b>376,292</b>	<b>-</b>	<b>189,378</b>	<b>1,758</b>	<b>6,201,625</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	2,279,515	63,023	-	-	-	2,342,538
Special . . . . .	499,245	124,065	-	-	-	623,310
Vocational . . . . .	211,935	-	-	-	-	211,935
Support services:						
Pupil . . . . .	237,390	57,008	-	-	-	294,398
Instructional staff . . . . .	170,965	24,959	-	-	-	195,924
Board of Education . . . . .	39,959	-	-	-	-	39,959
Administration . . . . .	567,333	9,837	-	-	-	577,170
Fiscal . . . . .	215,288	-	-	4,370	-	219,658
Operations and maintenance . . . . .	464,241	-	-	152,455	-	616,696
Pupil transportation . . . . .	587,648	-	-	-	-	587,648
Central . . . . .	84,316	1,786	-	4,131	-	90,233
Community services . . . . .	-	-	-	-	500	500
Extracurricular activities . . . . .	165,612	76,704	-	-	-	242,316
Debt service:						
Principal retirement . . . . .	64,995	-	54,018	-	-	119,013
Interest and fiscal charges . . . . .	8,097	-	7,055	-	-	15,152
<b>Total expenditures . . . . .</b>	<b>5,596,539</b>	<b>357,382</b>	<b>61,073</b>	<b>160,956</b>	<b>500</b>	<b>6,176,450</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	37,658	18,910	(61,073)	28,422	1,258	25,175
Other financing sources (uses):						
Operating transfers in . . . . .	-	-	62,648	-	-	62,648
Operating transfers out . . . . .	(62,648)	-	-	-	-	(62,648)
Proceeds from sale of fixed assets . . . . .	5,750	-	-	-	-	5,750
<b>Total other financing sources (uses) . . . . .</b>	<b>(56,898)</b>	<b>-</b>	<b>62,648</b>	<b>-</b>	<b>-</b>	<b>5,750</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	(19,240)	18,910	1,575	28,422	1,258	30,925
Fund balances, July 1 (restated) . . . . .	903,741	45,885	10,714	124,883	28,147	1,113,370
Fund balances, June 30 . . . . .	\$ 884,501	\$ 64,795	\$ 12,289	\$ 153,305	\$ 29,405	\$ 1,144,295

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, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 1,796,465	\$ 1,764,832	\$ (31,633)	\$ -	\$ -	\$ -
Tuition . . . . .	27,570	26,093	(1,477)	-	-	-
Earnings on investments . . . . .	41,510	24,909	(16,601)	-	-	-
Extracurricular . . . . .	-	-	-	134,480	106,021	(28,459)
Other local revenues . . . . .	77,053	57,081	(19,972)	32,743	25,871	(6,872)
Intergovernmental - State . . . . .	3,804,195	3,782,619	(21,576)	27,634	27,246	(388)
Intergovernmental - Federal . . . . .	-	-	-	276,102	258,800	(17,302)
Total revenues . . . . .	<u>5,746,793</u>	<u>5,655,534</u>	<u>(91,259)</u>	<u>470,959</u>	<u>417,938</u>	<u>(53,021)</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	2,387,682	2,296,321	91,361	75,785	63,185	12,600
Special . . . . .	499,485	477,060	22,425	142,272	133,160	9,112
Vocational . . . . .	213,524	209,418	4,106	-	-	-
Support services:						
Pupil . . . . .	233,236	223,449	9,787	58,253	56,924	1,329
Instructional staff . . . . .	194,286	171,889	22,397	38,492	28,085	10,407
Board of Education . . . . .	38,021	32,495	5,526	-	-	-
Administration . . . . .	599,518	565,267	34,251	10,295	9,837	458
Fiscal . . . . .	217,387	212,949	4,438	-	-	-
Operations and maintenance . . . . .	540,555	504,831	35,724	-	-	-
Pupil transportation . . . . .	626,325	600,612	25,713	-	-	-
Central . . . . .	85,205	82,658	2,547	1,786	1,786	-
Extracurricular activities . . . . .	179,736	170,024	9,712	121,470	82,009	39,461
Debt service:						
Principal retirement . . . . .	-	-	-	-	-	-
Interest and fiscal charges . . . . .	-	-	-	-	-	-
Total expenditures . . . . .	<u>5,814,960</u>	<u>5,546,973</u>	<u>267,987</u>	<u>448,353</u>	<u>374,986</u>	<u>73,367</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(68,167)</u>	<u>108,561</u>	<u>176,728</u>	<u>22,606</u>	<u>42,952</u>	<u>20,346</u>
Other financing sources (uses):						
Advances in . . . . .	84,300	84,257	(43)	57,757	57,757	-
Advances out . . . . .	(63,000)	(57,757)	5,243	(95,850)	(84,257)	11,593
Operating transfers in . . . . .	-	-	-	-	-	-
Operating transfers out . . . . .	(106,859)	(106,837)	22	-	-	-
Proceeds from sale of fixed assets . . . . .	10,505	5,750	(4,755)	-	-	-
Refund of prior year expenditure . . . . .	16,160	11,235	(4,925)	-	-	-
Total other financing sources (uses) . . . . .	<u>(58,894)</u>	<u>(63,352)</u>	<u>(4,458)</u>	<u>(38,093)</u>	<u>(26,500)</u>	<u>11,593</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(127,061)</u>	<u>45,209</u>	<u>172,270</u>	<u>(15,487)</u>	<u>16,452</u>	<u>31,939</u>
Fund balances, July 1 . . . . .	1,078,069	1,078,069	-	50,981	50,981	-
Prior year encumbrances appropriated . . . . .	42,706	42,706	-	3,737	3,737	-
Fund balances, June 30 . . . . .	<u>\$ 993,714</u>	<u>\$ 1,165,984</u>	<u>\$ 172,270</u>	<u>\$ 39,231</u>	<u>\$ 71,170</u>	<u>\$ 31,939</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 181,500	\$ 172,309	\$ (9,191)	\$ 1,977,965	\$ 1,937,141	\$ (40,824)
-	-	-	-	-	-	27,570	26,093	(1,477)
-	-	-	-	-	-	41,510	24,909	(16,601)
-	-	-	-	-	-	134,480	106,021	(28,459)
-	-	-	-	-	-	109,796	82,952	(26,844)
-	-	-	20,500	17,858	(2,642)	3,852,329	3,827,723	(24,606)
-	-	-	-	-	-	276,102	258,800	(17,302)
-	-	-	202,000	190,167	(11,833)	6,419,752	6,263,639	(156,113)
-	-	-	-	-	-	2,463,467	2,359,506	103,961
-	-	-	-	-	-	641,757	610,220	31,537
-	-	-	-	-	-	213,524	209,418	4,106
-	-	-	-	-	-	291,489	280,373	11,116
-	-	-	-	-	-	232,778	199,974	32,804
-	-	-	-	-	-	38,021	32,495	5,526
16,843	16,591	252	-	-	-	626,656	591,695	34,961
-	-	-	5,000	4,369	631	222,387	217,318	5,069
-	-	-	217,776	156,057	61,719	758,331	660,888	97,443
-	-	-	-	-	-	626,325	600,612	25,713
28,017	27,598	419	4,608	4,608	-	119,616	116,650	2,966
-	-	-	-	-	-	301,206	252,033	49,173
54,837	54,018	819	-	-	-	54,837	54,018	819
7,162	7,055	107	-	-	-	7,162	7,055	107
106,859	105,262	1,597	227,384	165,034	62,350	6,597,556	6,192,255	405,301
(106,859)	(105,262)	1,597	(25,384)	25,133	50,517	(177,804)	71,384	249,188
-	-	-	-	-	-	142,057	142,014	(43)
-	-	-	-	-	-	(158,850)	(142,014)	16,836
106,859	106,837	(22)	-	-	-	106,859	106,837	(22)
-	-	-	-	-	-	(106,859)	(106,837)	22
-	-	-	-	-	-	10,505	5,750	(4,755)
-	-	-	-	-	-	16,160	11,235	(4,925)
106,859	106,837	(22)	-	-	-	9,872	16,985	7,113
-	1,575	1,575	(25,384)	25,133	50,517	(167,932)	88,369	256,301
10,714	10,714	-	106,804	106,804	-	1,246,568	1,246,568	-
-	-	-	6,755	6,755	-	53,198	53,198	-
\$ 10,714	\$ 12,289	\$ 1,575	\$ 88,175	\$ 138,692	\$ 50,517	\$ 1,131,834	\$ 1,388,135	\$ 256,301

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE  
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees . . . . .	\$ 31,585	\$ -	\$ -	\$ 31,585
Sales and charges for services . . . . .	189,143	107,874	-	297,017
Interest revenue . . . . .	<u>-</u>	<u>-</u>	<u>291</u>	<u>291</u>
Total operating revenues . . . . .	<u>220,728</u>	<u>107,874</u>	<u>291</u>	<u>328,893</u>
Operating expenses:				
Personal services . . . . .	102,500	104,127	-	206,627
Contract services . . . . .	4,287	863	-	5,150
Materials and supplies . . . . .	154,154	4,308	213	158,675
Depreciation . . . . .	9,205	-	-	9,205
Other . . . . .	<u>142</u>	<u>796</u>	<u>176</u>	<u>1,114</u>
Total operating expenses . . . . .	<u>270,288</u>	<u>110,094</u>	<u>389</u>	<u>380,771</u>
Operating loss . . . . .	<u>(49,560)</u>	<u>(2,220)</u>	<u>(98)</u>	<u>(51,878)</u>
Nonoperating revenues:				
Intergovernmental grants . . . . .	43,028	-	-	43,028
Federal commodities . . . . .	12,962	-	-	12,962
Interest revenue . . . . .	248	-	-	248
Miscellaneous revenue . . . . .	<u>1,967</u>	<u>-</u>	<u>-</u>	<u>1,967</u>
Total nonoperating revenues . . . . .	<u>58,205</u>	<u>-</u>	<u>-</u>	<u>58,205</u>
Net income (loss) . . . . .	8,645	(2,220)	(98)	6,327
Retained earnings (accumulated deficit)/ fund balance, July 1 . . . . .	<u>27,460</u>	<u>(5,469)</u>	<u>6,653</u>	<u>28,644</u>
Retained earnings (accumulated deficit)/ fund balance, June 30 . . . . .	<u>\$ 36,105</u>	<u>\$ (7,689)</u>	<u>\$ 6,555</u>	<u>\$ 34,971</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, 2003

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from tuition and fees . . . . .	\$ 31,585	\$ -	\$ -	\$ 31,585
Cash received from sales and service charges . . . . .	189,143	107,874	-	297,017
Cash payments for personal services . . . . .	(94,070)	(101,392)	-	(195,462)
Cash payments for contract services . . . . .	(4,287)	(863)	-	(5,150)
Cash payments for materials and supplies . . . . .	(142,271)	(4,308)	(213)	(146,792)
Cash payments for other expenses . . . . .	(142)	(796)	(176)	(1,114)
Net cash provided by (used in) operating activities . . . . .	<u>(20,042)</u>	<u>515</u>	<u>(389)</u>	<u>(19,916)</u>
Cash flows from noncapital financing activities:				
Cash received from grants . . . . .	46,790	-	-	46,790
Net cash provided by noncapital financing activities . . . . .	<u>46,790</u>	<u>-</u>	<u>-</u>	<u>46,790</u>
Cash flows from capital financing activities:				
Acquisition of capital assets . . . . .	(3,028)	-	-	(3,028)
Net cash used in capital financing activities . . . . .	<u>(3,028)</u>	<u>-</u>	<u>-</u>	<u>(3,028)</u>
Cash flows from investing activities:				
Interest received . . . . .	248	-	291	539
Net cash provided by investing activities . . . . .	<u>248</u>	<u>-</u>	<u>291</u>	<u>539</u>
Net increase (decrease) in cash and cash equivalents . . . . .	23,968	515	(98)	24,385
Cash and cash equivalents at beginning of year . . . . .	14,895	7,520	453	22,868
Cash and cash equivalents at end of year . . . . .	<u>\$ 38,863</u>	<u>\$ 8,035</u>	<u>\$ 355</u>	<u>\$ 47,253</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss . . . . .	\$ (49,560)	\$ (2,220)	\$ (98)	\$ (51,878)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation . . . . .	9,205	-	-	9,205
Federal donated commodities . . . . .	12,962	-	-	12,962
Interest reported as operating income . . . . .	-	-	(291)	(291)
Changes in assets and liabilities:				
Increase in materials and supplies inventory . . . . .	(1,079)	-	-	(1,079)
Increase in accrued wages and benefits . . . . .	5,763	2,735	-	8,498
Increase in compensated absences payable . . . . .	1,104	-	-	1,104
Increase in due to other governments . . . . .	143	-	-	143
Increase in pension obligation payable . . . . .	1,420	-	-	1,420
Net cash provided by (used in) operating activities . . . . .	<u>\$ (20,042)</u>	<u>\$ 515</u>	<u>\$ (389)</u>	<u>\$ (19,916)</u>

Non-cash transactions:

During the fiscal year ended June 30, 2003, the District's food service enterprise fund received \$1,967 in contributed assets.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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 1 building that is composed of its elementary, junior high and high school. The District employs 32 non-certified and 66 certified (including administrative) full-time and part-time employees to provide services to approximately 875 students in grades K through 12 and various community groups, which ranks it 534<sup>th</sup> out of approximately 740 public and community school districts in Ohio.

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

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. 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, 2003**

**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". 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 general purpose 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 2003.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Western Ohio Computer Organization (WOCO)

The Western Ohio Computer Organization (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. 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 an organization related 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 2003.

*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, 2003

**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* - The 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* - The 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, 2003**

**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* - The 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. The 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, 2003**

**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, 2003**

**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 60 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, 2003, but which are intended to finance fiscal 2004 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, 2003, 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**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 2003 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.



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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures 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 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 funds completed the year within the amount of their legally authorized cash basis appropriation.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 2003.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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. Encumbrances for enterprise funds are reported in Note 13.

**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" on the combined balance sheet.

During 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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, 2003.

The District assigns all investment earnings to the general fund, except those specifically related to the expendable trust fund, nonexpendable trust fund, and the food service fund. Interest revenue credited to the general fund during fiscal 2003 totaled \$25,482, which included \$5,394 assigned from other funds of the District.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the 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 fiscal year-end, because prepayments 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, 2003

**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>
Furniture and equipment	5 - 20

**I. 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. 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 50 or greater with at least 10 years of service; or 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.

**J. 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 60 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

**K. 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 Bureau of Workers' Compensation (BWC) refunds not yet spent on allowable expenditures. In addition, although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of principal endowment. 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.

**L. 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.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 2003 is presented in Note 5.

**M. Estimates**

The preparation of financial statements in conformity with GAAP 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.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside for BWC refunds. This reserve is required by state statute. Fund balance reserves have also been established. See Note 18 for statutory reserves.

**O. Memorandum Only - Total Columns**

Total columns on the GPFS 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  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustments**

1. Accrued Wages and Benefits

The accrued wages and benefits liability was understated in the prior year in the general fund. A prior period adjustment was made to properly state fund balance at June 30, 2002. The effect of this prior period adjustment on fund balance as previously reported at June 30, 2002, is as follows:

	General Fund
Fund balance as previously reported June 30, 2002	\$1,025,947
Adjustment of accrued wages	<u>(122,206)</u>
Restated fund balance as of July 1, 2002	<u>\$ 903,741</u>

2. General Fixed Assets

The general fixed assets account group has been restated as of July 1, 2002 due to errors and omissions reported in prior years.

<u>Asset Category</u>	<u>Balance June 30, 2002</u>	<u>Restatement</u>	<u>Restated Balance July 1, 2002</u>
Land/improvements	\$ 5,754	\$ -	\$ 5,754
Buildings/improvements	2,977,676	(147,325)	2,830,351
Furniture/equipment	942,692	330	943,022
Vehicles	<u>456,284</u>	<u>36,148</u>	<u>492,432</u>
Totals	<u>\$4,382,406</u>	<u>\$(110,847)</u>	<u>\$4,271,559</u>



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FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**B. Deficit Fund Balances/Accumulated Deficit**

Fund balances/retained earnings at June 30, 2003, included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Title VI-B	\$ 195
Drug-Free School Grant	43
Improving Teacher Quality	960
<u>Internal Service Fund</u>	
Internal Service Rotary	7,689

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with state statute which does not allow for a negative fund balance at year-end.

**NOTE 4 - EQUITY IN POOLED CASH, 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.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS  
- (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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;

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

6. The State Treasurer's Investment Pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% 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.

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 \$320,131 and the bank balance was \$443,603. Both amounts include \$9,835 in non-negotiable certificates of deposit. Of the bank balance:

1. \$309,835 was covered by federal depository insurance; and

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

2. \$133,768 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

*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.

	Fair Value
Not subject to categorization:	
Investment in STAR Ohio	<u>\$1,286,145</u>
Total investments	<u><u>\$1,286,145</u></u>

The classification of cash, 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”.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

A reconciliation between the classifications of cash, 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:

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,598,341	\$ 9,835
Investments of the cash management pool:		
Certificates of deposit	9,835	(9,835)
Investment in STAR Ohio	(1,286,145)	1,286,145
Cash on hand	<u>(1,900)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 320,131</u>	<u>\$1,286,145</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a reconciliation of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$62,648
Debt Service Fund	<u>62,648</u>	<u>-</u>
Total	<u>\$62,648</u>	<u>\$62,648</u>

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**B.** Interfund balances at June 30, 2003, consist of the following individual interfund loans receivable and/or payable:

	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$12,543	\$ -
<u>Special Revenue Funds</u>		
Title I	-	8,000
Title VI	-	500
Drug-Free School Grant	-	43
Improving Teacher Quality	-	4,000
Total	<u>\$12,543</u>	<u>\$12,543</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 varying rates of true value.

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.

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CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

The assessed value upon which the 2002 taxes were collected was \$66,714,879. Agricultural/residential and public utility/minerals real estate represented 87.95% or \$58,671,270 of this total; commercial & industrial real estate represented 6.89% or \$4,598,550 of this total, public utility tangible represented 5.16% or \$3,445,059 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$31.30 per \$1,000.00 of assessed valuation for operations and \$5.00 per \$1,000.00 of assessed valuation for permanent improvement.

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2003. 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.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, 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, 2003 totaled \$124,810 in the general fund and \$14,300 in the permanent improvements capital projects fund.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 7 - INCOME TAX**

The District levies a voted tax of one-half of 1% 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 2003, credited to the general fund, was \$332,111, which includes a receivable at June 30, 2003, of \$122,173.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent that eligibility requirements have been met by fiscal year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the items of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Property taxes - current and delinquent	\$1,612,100
Accounts	875
Accrued interest	592
Interfund loan receivable	12,543
<u>Special Revenue Funds</u>	
Due from other governments	17,022
<u>Capital Projects Funds</u>	
Property taxes - current and delinquent	176,784
<u>Enterprise Funds</u>	
Due from other governments	429



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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 9 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Restated Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2003</u>
Land/improvements	\$ 5,754	\$ -	\$ -	\$ 5,754
Buildings/improvements	2,830,351	13,540	-	2,843,891
Furniture/equipment	943,022	182,040	(132,494)	992,568
Vehicles	<u>492,432</u>	<u>136,919</u>	<u>(16,075)</u>	<u>613,276</u>
Total	<u>\$4,271,559</u>	<u>\$332,499</u>	<u>\$(148,569)</u>	<u>\$4,455,489</u>

A summary of the proprietary fixed assets at June 30, 2003, follows:

Furniture and equipment	\$ 92,954
Less: accumulated depreciation	<u>(79,483)</u>
Net fixed assets	<u>\$ 13,471</u>

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the District has entered into capitalized leases for the acquisition of copiers and buses. These acquisitions meet 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. The lease transaction was accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by the leases have been capitalized in the general fixed assets account group in the amount of \$222,050 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 2003 fiscal year totaled \$64,995.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**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, 2003.

Year Ending <u>June 30</u>	General Long-Term Obligations		
	Copiers	Buses	Total
2004	\$23,340	\$1,661	\$25,001
2005	20,856	-	20,856
2006	<u>5,533</u>	<u>-</u>	<u>5,533</u>
Total future minimum lease payments	<u>\$49,729</u>	<u>\$1,661</u>	<u>51,390</u>
Less: amount representing interest			<u>(5,229)</u>
Present value of future minimum lease payments			<u>\$46,161</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

All general obligation notes and energy conservation notes are general obligations of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Principal and interest payments relating to these liabilities are recorded as expenditures in the debt service fund

In fiscal year 2002, the district issued general obligation notes in order to finance the purchase of school buses. The notes were issued on September 27, 2001 to Citizen's National Bank and mature on October 1, 2004. The notes had a principal amount of \$110,000 and an annual interest rate of 4.75%

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

A. The following is a description of the District's notes outstanding as of June 30, 2003:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 07/01/02</u>	<u>Issued (Retired) in Fiscal 2003</u>	<u>Balance 06/30/03</u>
HB 264 energy conservation notes	5.49%	08/15/96	08/01/06	\$173,515	\$ 38,081	\$(17,351)	\$20,730
General obligation notes	4.75%	09/27/01	10/01/04	<u>110,000</u>	<u>110,000</u>	<u>(36,667)</u>	<u>73,333</u>
				<u>\$283,515</u>	<u>\$148,081</u>	<u>\$(54,018)</u>	<u>\$94,063</u>

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

<u>Year Ending June 30</u>	<u>Principal HB 264 Energy Conservation Notes and General Obligation Notes</u>	<u>Interest HB 264 Energy Conservation Notes and General Obligation Notes</u>	<u>Total</u>
2004	\$54,018	\$4,383	\$ 58,401
2005	<u>40,045</u>	<u>1,835</u>	<u>41,880</u>
Total	<u>\$94,063</u>	<u>\$6,218</u>	<u>\$100,281</u>

C. During the year ended June 30, 2003, 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, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Compensated absences	\$180,767	\$168,497	\$ (35,016)	\$314,248
Pension obligation payable	32,933	40,969	(32,933)	40,969
HB 264 energy conservation notes	38,081	-	(17,351)	20,730
General obligation bonds	110,000	-	(36,667)	73,333
Capital lease	<u>111,156</u>	<u>-</u>	<u>(64,995)</u>	<u>46,161</u>
Total	<u>\$472,937</u>	<u>\$209,466</u>	<u>\$(186,962)</u>	<u>\$495,441</u>

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$5,943,295 (including available funds of \$12,289), an unvoted debt margin of \$66,715, and an unvoted energy conservation debt margin of \$579,704.

**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 of Ohio, Inc., a fully funded program. The District has elected to provide employee dental insurance, life insurance, accidental death and dismemberment insurance through G. E. Financial Assurance, 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.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

During fiscal year 2003, the District contracted with Selective Insurance Company for property and fleet insurance, liability insurance and inland marine coverage. Coverage's provided by Selective Insurance Company 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 2002.

*OSBA WORKERS' COMPENSATION GROUP RATING*

For fiscal year 2003, 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.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three enterprise funds to account for the operations of food service, 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, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Enterprise</u>	<u>Total</u>
Operating revenue	\$183,994	\$31,585	\$5,149	\$220,728
Depreciation expense	9,205	-	-	9,205
Operating income/(loss)	(56,171)	5,776	835	(49,560)
Non-operating revenue:				
Donated federal commodities	12,962	-	-	12,962
Intergovernmental grants	43,028	-	-	43,028
Net income	2,034	5,776	835	8,645
Net working capital	16,014	8,058	3,033	27,105
Total assets	45,345	8,058	3,033	56,436
Total liabilities	20,331	-	-	20,331
Total fund equity	25,014	8,058	3,033	36,105
Encumbrances at 6/30/03	354	200	183	737

**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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$95,158, \$96,482, and \$97,748, respectively; 39.05% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$57,996, represents the unpaid contribution for fiscal year 2003.

**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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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



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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$380,150, \$362,737, and \$337,282, respectively; 81.70% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$69,560, represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 pay a portion of the 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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$27,154 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$45,540 during the 2003 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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 Comparison (Non-GAAP Budgetary Basis) - 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:

- (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).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Excess of Revenues and Other Financing Sources  
Over/(Under) Expenditures and Other  
Financing Uses**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget basis	\$ 45,209	\$ 16,452	\$ 1,575	\$ 25,133
Net adjustment for revenue accruals	(21,337)	(41,646)	-	(789)
Net adjustment for expenditure accruals	(101,979)	(2,124)	44,189	(23,372)
Net adjustment for other financing sources/(uses)	6,454	26,500	(44,189)	-
Adjustment for encumbrances	<u>52,413</u>	<u>19,728</u>	<u>-</u>	<u>27,450</u>
GAAP basis	<u>\$ (19,240)</u>	<u>\$ 18,910</u>	<u>\$ 1,575</u>	<u>\$ 28,422</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2003.

**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 effect, if any, on the financial condition of the District.

**C. School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 18 - 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, 2003, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of July 1, 2002	\$(89,152)	\$(170,802)	\$24,392
Current year set-aside requirement	117,714	117,714	-
Qualifying disbursements	(69,258)	(159,984)	-
Current year offsets	<u>-</u>	<u>(190,167)</u>	<u>-</u>
Total	<u>\$(40,696)</u>	<u>\$(403,239)</u>	<u>\$24,392</u>
Cash balance/qualifying carry forward to FY 2004	<u>\$(40,696)</u>	<u>\$(360,969)</u>	<u>\$24,392</u>

The District had qualifying disbursements during the year that reduced the instructional materials set-a-side amount below zero. In addition, the District had offsets and qualifying disbursements that reduced the capital acquisition set-a-side amount below zero. The current year offset in the Capital Acquisition set-aside may be carried forward to offset future years requirements and the excess qualifying disbursements may not be carried forward to future years.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	<u>\$24,392</u>
Total restricted assets	<u>\$24,392</u>

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *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 fiscal year ended June 30, 2003, and have issued our report thereon dated November 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 general purpose 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 general purpose 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*.

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.

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.  
November 12, 2003





**Auditor of State  
Betty Montgomery**

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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  
DECEMBER 30, 2003**