

***MECHANICSBURG EXEMPTED VILLAGE SCHOOL
DISTRICT***

CHAMPAIGN COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2014





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mechanicsburg Exempted Village School District, Champaign County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 17, 2015

This page intentionally left blank.

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
 CHAMPAIGN COUNTY
 AUDIT REPORT
 For the Year Ended June 30, 2014**

TABLE OF CONTENTS

Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	22
Notes to the Basic Financial Statements	23 – 50
Schedule of Federal Awards Expenditures.....	51
Notes to the Schedule of Federal Awards Expenditures	52
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53-54
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance Required by <i>OMB</i> <i>Circular A-133</i>	55-56
Schedule of Findings.....	57
Schedule of Prior Audit Findings	58

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mechanicsburg Exempted Village School District, Champaign County, Ohio, (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Mechanicsburg Exempted Village School District, Champaign, Ohio as of June 30, 2014, and the respective changes in financial position and budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.

Charles E. Harris & Associates, Inc.
November 6, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of the Mechanicsburg Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position of governmental activities increased \$912,719 which represents a 5.68% increase from 2013.
- General revenues accounted for \$8,699,445 in revenue or 79.44% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,251,893 or 20.56% of total revenues of \$10,951,338.
- The District had \$10,038,619 in expenses related to governmental activities; \$2,251,893 or 22.43% of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,699,445 were adequate to provide for these programs.
- The District has three major governmental funds; the general fund, bond retirement fund and permanent improvement fund. The general fund had \$9,225,734 in revenues and \$8,029,739 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance increased \$1,195,995 from \$294,870 to \$1,490,865.
- The District's bond retirement fund had \$587,969 in revenues and \$485,244 in expenditures. During fiscal year 2014, the bond retirement fund's fund balance increased \$102,725 from \$262,094 to \$364,819.
- The permanent improvement fund had \$255,116 in revenues and \$298,418 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$43,302 from \$587,829 to \$544,527.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all *assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund and the permanent improvement fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Notes to the Basic Financial Statements

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

The District as a Whole

The table below provides a summary of the District's net position for 2014 and 2013.

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 5,669,158	\$ 4,562,513
Capital assets, net	<u>21,726,443</u>	<u>22,515,849</u>
Total assets	<u>27,395,601</u>	<u>27,078,362</u>
<u>Deferred outflows of resources</u>	<u>551,359</u>	<u>583,016</u>
<u>Liabilities</u>		
Current liabilities	865,178	1,133,338
Long-term liabilities	<u>8,017,235</u>	<u>8,334,230</u>
Total liabilities	<u>8,882,413</u>	<u>9,467,568</u>
<u>Deferred inflows of resources</u>	<u>2,088,758</u>	<u>2,130,740</u>
<u>Net position</u>		
Net investment in capital assets	15,465,626	15,914,932
Restricted	882,841	920,705
Unrestricted (deficit)	<u>627,322</u>	<u>(772,567)</u>
Total net position	<u>\$ 16,975,789</u>	<u>\$ 16,063,070</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16,975,789.

Total assets increased slightly, mostly due higher cash balances at year-end. At year-end, capital assets represented 79.31% of total assets. Net capital assets decreased due depreciation expensed during the year. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2014, was \$15,465,626. These capital assets are used to provide services to the students and are not available for future spending.

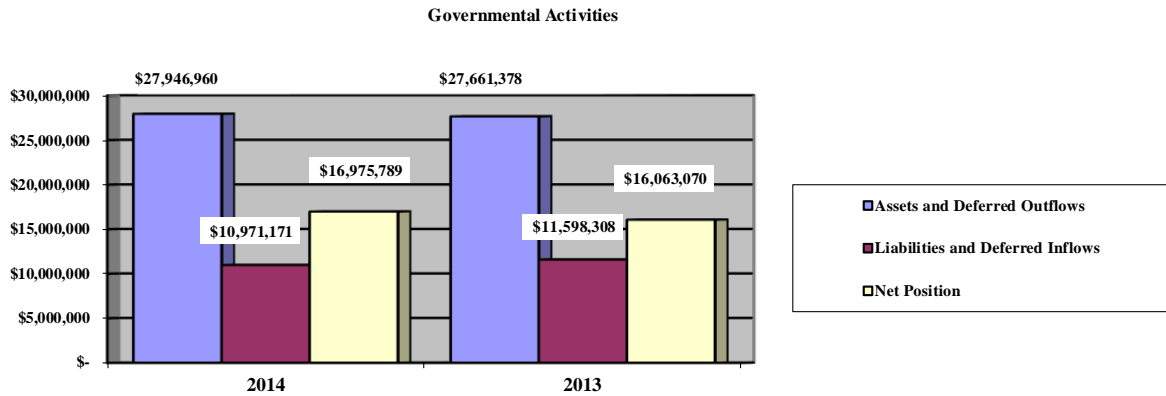
Current liabilities at June 30, 2013 included an outstanding construction lien obligation which was fulfilled in the current year. Accrued wages and benefits also decreased due to a slight reduction in staff.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A portion of the District's net position, \$882,841, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$627,322. The District reported a positive unrestricted balance for the first time since fiscal year 2010.

The graph below presents the District's assets and deferred outflows, liabilities and deferred inflows and net position for fiscal years 2014 and 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,002,042	\$ 1,284,905
Operating grants and contributions	1,243,051	1,078,565
Capital grants and contributions	6,800	-
General revenues:		
Property taxes	2,769,347	2,314,463
School district income taxes	1,455,173	1,480,545
Grants and entitlements	4,430,998	4,068,934
Investment earnings	2,097	2,010
Other	<u>41,830</u>	<u>76,806</u>
Total revenues	<u>10,951,338</u>	<u>10,306,228</u>

-continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Expenses</u>	Change in Net Position - (Continued)	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
Program expenses:		
Instruction:		
Regular	\$ 4,255,448	\$ 4,620,367
Special	1,430,492	1,521,277
Vocational	98,607	106,110
Support services:		
Pupil	304,682	268,302
Instructional staff	367,019	249,608
Board of education	48,163	46,039
Administration	805,030	823,945
Fiscal	231,010	316,355
Operations and maintenance	911,537	876,179
Pupil transportation	592,067	584,395
Central	-	177,318
Food service operations	302,817	276,025
Other non-instructional services	2,811	3,485
Extracurricular activities	431,483	421,524
Interest and fiscal charges	<u>257,453</u>	<u>420,373</u>
Total expenses	<u>10,038,619</u>	<u>10,711,302</u>
Change in net position	912,719	(405,074)
Net position at beginning of year	<u>16,063,070</u>	<u>16,468,144</u>
Net position at end of year	<u>\$ 16,975,789</u>	<u>\$ 16,063,070</u>

Governmental Activities

Net position of the District's governmental activities increased \$912,719. Total governmental expenses of \$10,038,619 were offset by program revenues of \$2,251,893 and general revenues of \$8,699,445. Program revenues supported 22.43% of the total governmental expenses.

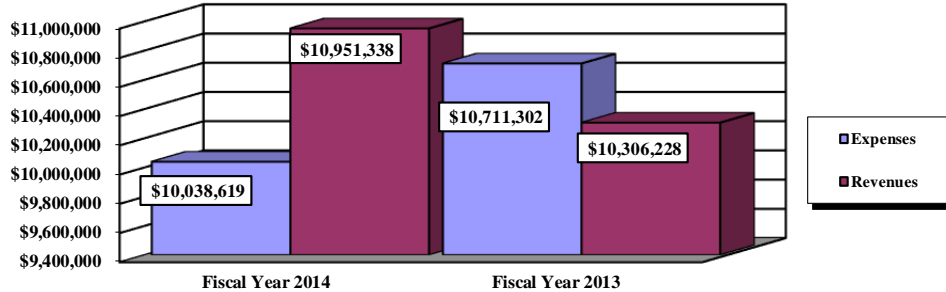
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 79.04% of total governmental revenue. Total revenues increased 6.26%, which is primarily the result of increased property taxes due to changes in the CAUV values throughout the District. Unrestricted grants and entitlements also increased as the new State funding formula for fiscal year 2014 allocated additional revenue to the District.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,784,547 or 57.62% of total governmental expenses for fiscal year 2014. The overall decrease in expenses was 6.28%. This can be attributed to several cost-cutting measures implemented by the District, the most significant of which came from savings realized due to changes to the employee insurance plan.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 4,255,448	\$ 3,490,042	\$ 4,620,367	\$ 3,545,068
Special	1,430,492	523,114	1,521,277	763,072
Vocational	98,607	58,582	106,110	42,998
Support services:				
Pupil	304,682	300,637	268,302	268,302
Instructional staff	367,019	342,798	249,608	227,054
Board of education	48,163	48,163	46,039	46,039
Administration	805,030	798,228	823,945	817,140
Fiscal	231,010	231,010	316,355	289,395
Operations and maintenance	911,537	911,537	876,179	873,679
Pupil transportation	592,067	525,847	584,395	517,289
Central	-	-	177,318	172,411
Food service operations	302,817	(13,860)	276,025	39,896
Other non-instructional services	2,811	1,192	3,485	(197)
Extracurricular activities	431,483	311,983	421,524	325,313
Interest and fiscal charges	257,453	257,453	420,373	420,373
Total expenses	<u>\$ 10,038,619</u>	<u>\$ 7,786,726</u>	<u>\$ 10,711,302</u>	<u>\$ 8,347,832</u>

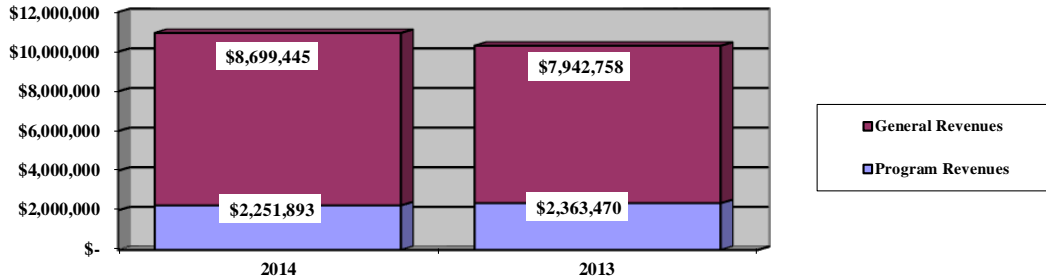
The dependence upon tax and other general revenues for governmental activities is apparent; 70.39% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.57%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,414,235, which is \$1,344,112 higher than last year's total of \$1,070,123. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance (Deficit) <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
General	\$ 1,490,865	\$ 294,870	\$ 1,195,995
Bond retirement	364,819	262,094	102,725
Permanent improvement	544,527	587,829	(43,302)
Nonmajor governmental	<u>14,024</u>	<u>(74,670)</u>	<u>88,694</u>
Total	<u>\$ 2,414,235</u>	<u>\$ 1,070,123</u>	<u>\$ 1,344,112</u>

General Fund

The District's general fund balance increased \$1,195,995. General fund revenues increased and expenditures decreased.

Property tax revenues increased considerably in 2014 due to changes in the CAUV values established by the Ohio Department of Taxation. Intergovernmental revenues also increased significantly, due to additional State Foundation revenue.

The overall decrease in general fund expenditures was 6.48%. A slight reduction in staff contributed to lower costs for employee wages and benefits. In addition, the District joined a group purchasing pool for employee insurance benefits in fiscal year 2014 which contributed to lower premiums.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,511,671	\$ 3,186,768	\$ 324,903	10.20 %
Tuition	662,039	722,034	(59,995)	(8.31) %
Earnings on investments	2,097	2,010	87	4.33 %
Intergovernmental	4,908,291	4,452,882	455,409	10.23 %
Other revenues	<u>141,636</u>	<u>458,273</u>	<u>(316,637)</u>	(69.09) %
Total	<u>\$ 9,225,734</u>	<u>\$ 8,821,967</u>	<u>\$ 403,767</u>	4.58 %
<u>Expenditures</u>				
Instruction	\$ 4,785,766	\$ 5,203,757	\$ (417,991)	(8.03) %
Support services	2,955,951	3,056,707	(100,756)	(3.30) %
Non-instructional services	2,811	2,985	(174)	(5.83) %
Extracurricular activities	181,764	192,459	(10,695)	(5.56) %
Debt service	<u>-</u>	<u>19,468</u>	<u>(19,468)</u>	(100.00) %
Total	<u>\$ 7,926,292</u>	<u>\$ 8,475,376</u>	<u>\$ (549,084)</u>	(6.48) %

Bond Retirement Fund

The District's bond retirement fund had \$587,969 in revenues and \$485,244 in expenditures. During fiscal year 2014, the bond retirement fund's fund balance increased \$102,725 from \$262,094 to \$364,819.

Permanent Improvement Fund

The permanent improvement fund had \$255,116 in revenues and \$298,418 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$43,302 from \$587,829 to \$544,527.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$8,475,283. Actual revenues and other financing sources for fiscal year 2014 were \$9,034,970.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,586,513 were decreased to \$8,064,559 in the final appropriations. This decrease was the result of the District revising the budget to account for savings realized throughout the year, including the health insurance savings as previously discussed. The actual budget basis expenditures for fiscal year 2014 totaled \$8,064,559.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$21,726,443 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2014 balances compared to 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 250,000	\$ 250,000
Land improvements	2,878,356	3,102,318
Building and improvements	17,867,147	18,408,099
Furniture and equipment	425,944	467,332
Vehicles	304,996	288,100
Total	\$ 21,726,443	\$ 22,515,849

The District acquired \$101,125 in capital assets during fiscal year 2014 and recorded depreciation expense of \$890,531.

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

Debt Administration

At June 30, 2014, the District had \$6,753,487 in general obligation bonds and energy conservation bonds outstanding. Of this total, \$385,000 is due within one year and \$6,368,487 is due in more than one year. The following table summarizes the debt outstanding for the last two fiscal years.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2014	2013
General obligation bonds	\$ 6,188,487	\$ 6,423,331
Energy conservation bonds	565,000	615,000
Total	\$ 6,753,487	\$ 7,038,331

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Current Financial Related Activities

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

For fiscal year 2014, the financial situation at Mechanicsburg EVSD has greatly improved. The District ended the fiscal year with a much greater ending balance. The District realizes that not making appropriate adjustment to staffing levels to the student population in the past lead to financial distress. The District will continually monitor staffing levels and make the required adjustments. The changes in the insurance plan offered to staff have greatly reduced costs. Most recent real estate values have increased due to changes in the CAUV values as determined by the Ohio Department of Taxation. This has resulted in additional local real estate tax revenue.

The District is heavily reliant upon income tax, property tax, and state support. The biggest of these three is state support. A new state support model has been implemented during the 2013-2014 school year. This additional funding provided to Mechanicsburg should allow the District to remain in stable condition for the next couple of years. However, this has only been made possible as a result of changes to the employee insurance plan and employees forgoing any salary increase for the second year in a row. In addition, Mechanicsburg is just now starting to see some minor increases in income tax revenue after the great recession.

On November 4, 2014, Mechanicsburg voters passed a 10 year \$189,000 emergency levy.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 2,247,929
Receivables:	
Property taxes	2,805,605
Income taxes	476,486
Intergovernmental	129,950
Loans.	5,500
Prepayments	857
Materials and supplies inventory	2,831
Capital assets:	
Nondepreciable capital assets	250,000
Depreciable capital assets, net	21,476,443
Capital assets, net	21,726,443
Total assets	27,395,601
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	551,359
Total deferred outflows of resources.	551,359
 Liabilities:	
Accounts payable	39,874
Accrued wages and benefits payable.	653,300
Pension obligation payable	134,442
Intergovernmental payable.	23,529
Accrued interest payable.	14,033
Long-term liabilities:	
Due within one year	529,074
Due in more than one year	7,488,161
Total liabilities.	8,882,413
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,088,758
Total deferred inflows of resources.	2,088,758
 Net position:	
Net investment in capital assets	15,465,626
Restricted for:	
Capital projects.	555,935
Debt service.	245,397
Classroom facilities maintenance.	40,603
Federally funded programs	475
Student activities	40,431
Unrestricted	627,322
Total net position	\$ 16,975,789

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular	\$ 4,255,448	\$ 725,096	\$ 40,310	\$ -	\$ (3,490,042)
Special	1,430,492	-	907,378	-	(523,114)
Vocational	98,607	-	40,025	-	(58,582)
Support services:					
Pupil.	304,682	-	4,045	-	(300,637)
Instructional staff	367,019	9,428	14,793	-	(342,798)
Board of education	48,163	-	-	-	(48,163)
Administration.	805,030	6,802	-	-	(798,228)
Fiscal.	231,010	-	-	-	(231,010)
Operations and maintenance.	911,537	-	-	-	(911,537)
Pupil transportation	592,067	-	59,420	6,800	(525,847)
Operation of non-instructional services:					
Food service operations.	302,817	142,205	174,472	-	13,860
Other non-instructional services	2,811	1,619	-	-	(1,192)
Extracurricular activities	431,483	116,892	2,608	-	(311,983)
Interest and fiscal charges.	257,453	-	-	-	(257,453)
Totals.	\$ 10,038,619	\$ 1,002,042	\$ 1,243,051	\$ 6,800	(7,786,726)
General revenues:					
Property taxes levied for:					
General purposes					2,034,393
Debt service					507,799
Special revenue					34,840
Capital projects					192,315
School district income tax					1,455,173
Grants and entitlements not restricted					
to specific programs					4,430,998
Investment earnings					2,097
Miscellaneous					41,830
Total general revenues					8,699,445
Change in net position					912,719
Net position at beginning of year					16,063,070
Net position at end of year.					\$ 16,975,789

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 1,356,772	\$ 269,146	\$ 520,529	\$ 101,482	\$ 2,247,929
Receivables:					
Property taxes	2,063,363	514,033	193,487	34,722	2,805,605
Income taxes	476,486	-	-	-	476,486
Intergovernmental	129,529	-	-	421	129,950
Interfund	4,300	-	-	-	4,300
Loans to other funds	78,998	-	-	-	78,998
Loans	5,500	-	-	-	5,500
Prepayments.	857	-	-	-	857
Materials and supplies inventory	-	-	-	2,831	2,831
Total assets	<u>\$ 4,115,805</u>	<u>\$ 783,179</u>	<u>\$ 714,016</u>	<u>\$ 139,456</u>	<u>\$ 5,752,456</u>
Liabilities:					
Accounts payable	\$ 26,680	\$ -	\$ 9,810	\$ 3,384	\$ 39,874
Accrued wages and benefits payable	646,069	-	-	7,231	653,300
Pension obligation payable	131,935	-	-	2,507	134,442
Intergovernmental payable	23,244	-	-	285	23,529
Compensated absences payable.	49,003	-	-	-	49,003
Interfund payable	-	-	-	4,300	4,300
Loans from other funds	-	-	-	78,998	78,998
Total liabilities.	<u>876,931</u>	<u>-</u>	<u>9,810</u>	<u>96,705</u>	<u>983,446</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	1,534,167	382,698	146,115	25,778	2,088,758
Delinquent property tax revenue not available	146,359	35,662	13,564	2,528	198,113
Intergovernmental revenue not available	67,483	-	-	421	67,904
Total deferred inflows of resources.	<u>1,748,009</u>	<u>418,360</u>	<u>159,679</u>	<u>28,727</u>	<u>2,354,775</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	2,831	2,831
Prepayments	857	-	-	-	857
Long-term loans	84,498	-	-	-	84,498
Restricted:					
Debt service	-	364,819	-	-	364,819
Capital improvements	-	-	544,527	284	544,811
Classroom facilities maintenance.	-	-	-	38,075	38,075
Targeted academic assistance.	-	-	-	475	475
Extracurricular activities	-	-	-	43,560	43,560
Committed:					
Other purposes	-	-	-	22,017	22,017
Assigned:					
Student instruction	6,612	-	-	-	6,612
Student and staff support	200,421	-	-	-	200,421
School supplies	31,339	-	-	-	31,339
Other purposes	3,732	-	-	-	3,732
Unassigned (deficit)	<u>1,163,406</u>	<u>-</u>	<u>-</u>	<u>(93,218)</u>	<u>1,070,188</u>
Total fund balances	<u>1,490,865</u>	<u>364,819</u>	<u>544,527</u>	<u>14,024</u>	<u>2,414,235</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 4,115,805</u>	<u>\$ 783,179</u>	<u>\$ 714,016</u>	<u>\$ 139,456</u>	<u>\$ 5,752,456</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	2,414,235
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,726,443
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	198,113	
Intergovernmental receivable		67,904	
Total		266,017	266,017
Unamortized premiums on bonds issued are not recognized in the funds.			(767,180)
Unamortized deferred charges on refundings are not recognized in the funds.			551,359
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(14,033)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(6,188,487)	
Conservation bonds payable		(565,000)	
Compensated absences payable		(447,565)	
Total		(7,201,052)	(7,201,052)
Net position of governmental activities		\$	16,975,789

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 2,056,498	\$ 516,340	\$ 195,644	\$ 35,558	\$ 2,804,040
Income taxes	1,455,173	-	-	-	1,455,173
Tuition	662,039	-	-	-	662,039
Earnings on investments	2,097	-	-	-	2,097
Charges for services	-	-	-	142,205	142,205
Extracurricular	26,642	-	-	94,539	121,181
Classroom materials and fees	27,190	-	-	-	27,190
Other local revenues	87,804	-	6,800	10,106	104,710
Intergovernmental - state	4,871,120	71,629	25,077	42,838	5,010,664
Intergovernmental - federal	37,171	-	27,595	540,611	605,377
Total revenues	<u>9,225,734</u>	<u>587,969</u>	<u>255,116</u>	<u>865,857</u>	<u>10,934,676</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,586,191	-	85,737	40,310	3,712,238
Special	1,101,255	-	-	328,494	1,429,749
Vocational	98,320	-	-	-	98,320
Support services:					
Pupil	289,445	-	-	2,385	291,830
Instructional staff	341,106	-	-	14,784	355,890
Board of education	48,163	-	-	-	48,163
Administration	782,981	1,248	495	92	784,816
Fiscal	218,370	7,758	2,953	540	229,621
Operations and maintenance	752,301	-	40,536	129,441	922,278
Pupil transportation	523,585	-	86,542	-	610,127
Operation of non-instructional services:					
Food service operations	-	-	-	279,845	279,845
Other non-instructional services	2,811	-	-	-	2,811
Extracurricular activities	181,764	-	-	84,643	266,407
Facilities acquisition and construction	-	-	-	76	76
Debt service:					
Principal retirement	-	325,000	50,000	-	375,000
Interest and fiscal charges	-	151,238	32,155	-	183,393
Total expenditures	<u>7,926,292</u>	<u>485,244</u>	<u>298,418</u>	<u>880,610</u>	<u>9,590,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,299,442</u>	<u>102,725</u>	<u>(43,302)</u>	<u>(14,753)</u>	<u>1,344,112</u>
Other financing sources (uses):					
Transfers in	-	-	-	103,447	103,447
Transfers (out)	<u>(103,447)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,447)</u>
Total other financing sources (uses)	<u>(103,447)</u>	<u>-</u>	<u>-</u>	<u>103,447</u>	<u>-</u>
Net change in fund balances	1,195,995	102,725	(43,302)	88,694	1,344,112
Fund balances (deficit) at beginning of year	<u>294,870</u>	<u>262,094</u>	<u>587,829</u>	<u>(74,670)</u>	<u>1,070,123</u>
Fund balances at end of year	<u>\$ 1,490,865</u>	<u>\$ 364,819</u>	<u>\$ 544,527</u>	<u>\$ 14,024</u>	<u>\$ 2,414,235</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ 1,344,112

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

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

Capital asset additions	\$ 101,125	
Current year depreciation	(890,531)	
Total		(789,406)

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

Property taxes	(34,693)	
Intergovernmental	57,369	
Total		22,676

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 375,000

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

Decrease in accrued interest payable	996	
Accreted interest on capital appreciation bonds	(90,156)	
Amortization of bond premiums	46,757	
Amortization of deferred charges on refunding	(31,657)	
Total		(74,060)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 34,397

Change in net position of governmental activities **\$ 912,719**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 1,673,228	\$ 1,673,228	\$ 1,902,862	\$ 229,634
Income taxes	1,420,197	1,420,197	1,526,826	106,629
Tuition	732,867	732,867	662,040	(70,827)
Earnings on investments	2,319	2,319	2,097	(222)
Other local revenues	96,324	96,324	59,519	(36,805)
Intergovernmental - state	4,455,147	4,455,147	4,813,572	358,425
Intergovernmental - federal	26,913	26,913	35,062	8,149
Total revenues	<u>8,406,995</u>	<u>8,406,995</u>	<u>9,001,978</u>	<u>594,983</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,707,249	3,537,419	3,537,419	-
Special	1,172,441	1,096,219	1,096,219	-
Vocational	126,320	108,430	108,430	-
Support services:				
Pupil	352,470	287,391	287,391	-
Instructional staff	362,081	347,279	347,279	-
Board of education	62,173	62,287	62,287	-
Administration	805,717	804,600	804,600	-
Fiscal	267,812	226,406	226,406	-
Operations and maintenance	794,372	836,092	836,092	-
Pupil transportation	624,264	572,968	572,968	-
Extracurricular activities	193,459	180,568	180,568	-
Debt service:				
Interest and fiscal charges	82,155	-	-	-
Total expenditures	<u>8,550,513</u>	<u>8,059,659</u>	<u>8,059,659</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,518)</u>	<u>347,336</u>	<u>942,319</u>	<u>594,983</u>
Other financing sources (uses):				
Refund of prior year's expenditures	8,983	8,983	31,992	23,009
Premium on bonds and notes	14,150	14,150	-	(14,150)
Transfers in	171	171	-	(171)
Advances in	44,984	44,984	1,000	(43,984)
Advances (out)	<u>(36,000)</u>	<u>(4,900)</u>	<u>(4,900)</u>	<u>-</u>
Total other financing sources (uses)	<u>32,288</u>	<u>63,388</u>	<u>28,092</u>	<u>(35,296)</u>
Net change in fund balance	(111,230)	410,724	970,411	559,687
Fund balance at beginning of year	57,381	57,381	57,381	-
Prior year encumbrances appropriated	59,751	59,751	59,751	-
Fund balance at end of year	<u>\$ 5,902</u>	<u>\$ 527,856</u>	<u>\$ 1,087,543</u>	<u>\$ 559,687</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents . . .	\$ 57,209	\$ 57,954
Total assets.	<u>57,209</u>	<u>\$ 57,954</u>
Liabilities:		
Accounts payable	-	\$ 549
Due to students.	-	51,905
Loans payable	<u>-</u>	<u>5,500</u>
Total liabilities	<u>-</u>	<u>\$ 57,954</u>
Net position:		
Held in trust for scholarships	<u>57,209</u>	
Total net position	<u>\$ 57,209</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 788
Gifts and contributions	11
Total additions.	799
 Deductions:	
Scholarships awarded	1,135
 Change in net position	(336)
Net position at beginning of year.	57,545
Net position at end of year	\$ 57,209

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates one building that is composed of its elementary, middle school and high school. The District employs 32 non-certified and 60 certified employees to provide services to approximately 837 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Career Center

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

Western Ohio Computer Organization

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

RELATED ORGANIZATION

Mechanicsburg Public Library

The Mechanicsburg Public Library (Library) is an organization related to the District. The School Board members are responsible for appointing the trustees of the Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library determines its own budget. The Library did not receive any funding from the District during fiscal year 2014.

INSURANCE PURCHASING POOL

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

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

PUBLIC ENTITY RISK POOL

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

D. Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

F. Cash and Investments

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

During fiscal year 2014, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$2,097, which includes \$1,297 assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or more with at least 10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

M. Net Position

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

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

N. Prepayments

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

O. Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

P. Interfund Activity

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

Q. Unamortized Bond Premiums and Deferred Charges on Debt Refunding

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included a deficit of \$90,387 in the food service fund (a nonmajor governmental fund). The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$2,322,132. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$2,125,063 of the District's bank balance of \$2,431,263 was exposed to custodial risk as discussed below, while \$306,200 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2014, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturity 6 months or <u>less</u>
STAR Ohio	\$ <u>40,960</u>	\$ <u>40,960</u>

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 40,960	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,322,132
Investments	<u>40,960</u>
Total	<u>\$ 2,363,092</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,247,929
Private-purpose trust fund	57,209
Agency funds	<u>57,954</u>
Total	<u>\$ 2,363,092</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2014, as reported on the fund financial statements, consist of the following individual interfund receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 4,300

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 103,447

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

- C.** Interfund balances at June 30, 2014, as reported on the fund financial statements, consist of the following loans to/from other funds.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 78,998

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

- D.** Advances outstanding at June 30, 2014 between governmental funds and fiduciary funds consist of \$5,500 due to the general fund from the District's student managed activity agency fund. This balance is expected to be repaid within one year and is reported as loans receivable/payable on the financial statements.

NOTE 6 - PROPERTY TAXES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Champaign and Madison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$382,837 in the general fund, \$95,673 in the bond retirement fund, \$33,808 in the permanent improvement fund and \$6,416 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount available for advance at June 30, 2013 was \$229,201 in the general fund, \$61,248 in the bond retirement fund, \$22,391 in the permanent improvement fund and \$4,291 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 84,973,530	96.42	\$ 95,766,460	96.19
Public utility personal	<u>3,152,070</u>	<u>3.58</u>	<u>3,795,790</u>	<u>3.81</u>
Total	<u>\$ 88,125,600</u>	<u>100.00</u>	<u>\$ 99,562,250</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$28.55		\$28.23	
Permanent improvement	5.50		5.50	
Bond retirement	6.00		5.54	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, income taxes, intergovernmental grants and entitlements, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - INCOME TAXES

The District levies a voted income tax of one and one half percent on the income of residents and on estates for general operations of the District. The one half percent income tax became effective on January 1, 1997 and is in effect for a continual period of time. An additional five-year one percent tax was renewed by District voters in 2010 and expires December 31, 2016. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$1,455,173 for fiscal year 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Total capital assets, not being depreciated	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,479,239	-	-	4,479,239
Buildings and improvements	21,763,140	10,470	-	21,773,610
Furniture and equipment	853,958	9,872	-	863,830
Vehicles	<u>978,528</u>	<u>80,783</u>	<u>(89,730)</u>	<u>969,581</u>
Total capital assets, being depreciated	<u>28,074,865</u>	<u>101,125</u>	<u>(89,730)</u>	<u>28,086,260</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,376,921)	(223,962)	-	(1,600,883)
Buildings and improvements	(3,355,041)	(551,422)	-	(3,906,463)
Furniture and equipment	(386,626)	(51,260)	-	(437,886)
Vehicles	<u>(690,428)</u>	<u>(63,887)</u>	<u>89,730</u>	<u>(664,585)</u>
Total accumulated depreciation	<u>(5,809,016)</u>	<u>(890,531)</u>	<u>89,730</u>	<u>(6,609,817)</u>
Governmental activities capital assets, net	<u>\$ 22,515,849</u>	<u>\$ (789,406)</u>	<u>\$ -</u>	<u>\$ 21,726,443</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 603,703
Vocational	287
<u>Support services:</u>	
Instructional staff	3,125
Administration	18,896
Operations and maintenance	11,789
Pupil transportation	63,887
Extracurricular activities	157,251
Food service operations	<u>31,593</u>
Total depreciation expense	<u>\$ 890,531</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS

A. The following is a summary of the District's long-term obligations outstanding as of June 30, 2014:

	Balance Outstanding <u>6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>6/30/14</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<i>General obligation bonds:</i>					
<u>Series 2004</u>					
Current interest bonds	\$ 450,000	\$ -	\$ (220,000)	\$ 230,000	\$ 230,000
<u>Series 2012, refunding</u>					
Current interest bonds	5,805,000	-	(105,000)	5,700,000	105,000
Capital appreciation bonds	114,996	-	-	114,996	-
Accreted interest	53,335	90,156	-	143,491	-
Energy conservation bonds	615,000	-	(50,000)	565,000	50,000
Compensated absences payable	<u>481,962</u>	<u>123,227</u>	<u>(108,621)</u>	<u>496,568</u>	<u>144,074</u>
Total long-term obligations	<u>\$ 7,520,293</u>	<u>\$ 213,383</u>	<u>\$ (483,621)</u>	7,250,055	<u>\$ 529,074</u>
			Add: Unamortized premium on bonds	<u>767,180</u>	
			Total on statement of net position	<u>\$ 8,017,235</u>	

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

The District refunded the callable current interest bonds during fiscal year 2013. The balance of the refunded bonds outstanding at June 30, 2013 is \$5,920,000. The refunded bonds are considered defeased (in substance) and therefore have been removed from the statement of net position.

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

The capital appreciation bonds mature at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,050,000. Total accreted interest of \$143,491 has been included on the statement of net position.

The current interest bonds maturing on or after December 1, 2020 are subject to optional redemption, in whole or in part on any date in any order of maturity and by lot within a maturity on or after December 1, 2019 at par, which is 100% of the face value of the current interest bonds. The capital appreciation bonds are not subject to redemption prior to scheduled maturity.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

- B.** Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 335,000	\$ 141,188	\$ 476,188	\$ -	\$ -	\$ -
2016	350,000	134,313	484,313	-	-	-
2017	-	132,563	132,563	55,412	294,588	350,000
2018	-	132,563	132,563	36,085	313,915	350,000
2019	-	132,563	132,563	23,499	326,501	350,000
2020 - 2024	1,825,000	569,240	2,394,240	-	-	-
2025 - 2029	2,050,000	335,402	2,385,402	-	-	-
2030 - 2032	1,370,000	61,844	1,431,844	-	-	-
Total	\$ 5,930,000	\$ 1,639,676	\$ 7,569,676	\$ 114,996	\$ 935,004	\$ 1,050,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30.	Energy Conservation Bonds		
	Principal	Interest	Total
2015	\$ 50,000	\$ 29,430	\$ 79,430
2016	50,000	26,705	76,705
2017	50,000	23,980	73,980
2018	50,000	21,255	71,255
2019	50,000	18,530	68,530
2020 - 2024	225,000	55,181	280,181
2025 - 2026	90,000	4,905	94,905
Total	<u>\$ 565,000</u>	<u>\$ 179,986</u>	<u>\$ 744,986</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$3,280,426 (including available funds of \$364,819) and an unvoted debt margin of \$99,562.

NOTE 11 - RISK MANAGEMENT

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

The District is a participant in the Stark County Schools Council of Governments (Council) Health Benefits Program for the purpose of obtaining benefits at a reduced premium for medical, dental, vision and accidental death and dismemberment insurance for its employees. The Council's Health Benefits Program is a shared risk pool comprised of 85 member school districts, educational service centers and related agencies. Rates are set through an annual calculation process. The District pays a monthly premium, which is paid into a common fund from which claim payments are made for all participants regardless of claims flow.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - RISK MANAGEMENT - (Continued)

During fiscal year 2014, the District participated in a joint self-insurance pool pursuant to Revised Code Section 2744.081 administered through the Ohio School Plan (OSP). Insurances are provided by OSP through a self-funded plan. Coverages provided by OSP are as follows:

Building and contents - replacement cost	\$35,645,574
Automobile liability	5,000,000
Uninsured motorists	1,000,000
Crime	100,000
General liability:	
Per occurrence	7,000,000
Total per year	15,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amounts of insurance coverage from fiscal year 2013.

OASBO WORKERS' COMPENSATION GROUP RATING

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

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$120,763, \$143,054 and \$161,574, respectively; 79.88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$423,443, \$437,293 and \$517,297, respectively; 81.93 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$23,638 made by the District and \$18,573 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$19,728, \$20,710 and \$26,184, respectively; 79.88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,006, \$8,081 and \$9,542, respectively; 79.88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$32,573, \$33,638 and \$39,792, respectively; 81.93 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 970,411
Net adjustment for revenue accruals	141,639
Net adjustment for expenditure accruals	(19,592)
Net adjustment for other sources/uses	(131,539)
Funds budgeted elsewhere	25,571
Adjustment for encumbrances	209,505
GAAP basis	\$ 1,195,995

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	151,836
Current year offsets	<u>(267,960)</u>
Total	<u>\$ (116,124)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 182,646
Permanent improvement	116,965
Nonmajor governmental	<u>38,386</u>
Total	<u>\$ 337,997</u>

**Mechanicsburg Exempted Village School District
Champaign County**

Schedule of Federal Awards Expenditures
For The Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
(Passed through Ohio Department of Education)			
Title I; Grants to LEA-Formula Total Title 1	84.010	\$ 176,559 <u>176,559</u>	\$ 176,084 <u>176,084</u>
Title II A; Improving Teacher Quality Total Title II-A	84.367	29,825 <u>29,825</u>	29,825 <u>29,825</u>
Title VI-B Total Title VI-B	84.027	161,614 <u>161,614</u>	161,614 <u>161,614</u>
RTTT Entry Year Teacher Total Race to the Top	84.395	1,050 <u>1,050</u>	1,050 <u>1,050</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		369,048	368,573
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
(Passed through Ohio Department of Education)			
Child Nutrition Cluster:			
Food Distribution Program-Non-cash assistance	10.555	20,244	20,230
National School Lunch Program	10.555	151,333 <u>151,333</u>	151,333 <u>151,333</u>
Total Nutrition Cluster		<u>171,577</u>	<u>171,563</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		171,577	171,563
TOTAL FEDERAL ASSISTANCE		<u>\$ 540,625</u>	<u>\$ 540,136</u>

See notes to the Schedule of Federal Awards Expenditures

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2014

1. Significant Accounting Policies

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

2. Food Distribution

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2014, the District had commodities in inventory recorded in the Food Service Fund.

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mechanicsburg Exempted Village School District, Champaign County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2014.

Internal Controls Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control over financial reporting, that we consider a material weaknesses. However, unidentified material weaknesses may exist.

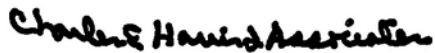
Mechanicsburg Exempted Village School District
Champaign County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and on Compliance and
Other Matters Required by *Government Auditing Standards*

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
November 6, 2014

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Mechanicsburg Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Mechanicsburg Exempted Village School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Mechanicsburg Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

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


Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on its major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Charles E. Harris and Associates, Inc.
November 6, 2014

**MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
CHAMPAIGN COUNTY
June 30, 2014**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

MECHANICSBURG EXEMPTED VILLAGE SCHOL DISTRICT
 CHAMPAIGN COUNTY
 AUDIT REPORT
 For the Year Ended June 30, 2014

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-MECH-01	Material Weakness-financial statements misstated.	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

MECHANICSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2015**