



Mary Taylor, CPA  
Auditor of State

**City of Mansfield**  
**Richland County, Ohio**

**Fiscal Watch Analysis**  
As of December 31, 2008

**Local Government Services Section**



**City of Mansfield – Richland County**

**Fiscal Watch Analysis**

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Mary Taylor, CPA  
Auditor of State

**Certification of Deficit and Declaration of Fiscal Watch**

The Auditor of State performed a fiscal analysis of the City of Mansfield pursuant to Section 118.022 of the Ohio Revised Code. The analysis took the form of a review of financial conditions at December 31, 2008 and the examination of a financial forecast of the general fund for the year ending December 31, 2009. Based on the examination of the financial forecast of the general fund of the City of Mansfield, the Auditor of State does hereby certify a deficit in the general fund of \$2,915,000 for the year ending December 31, 2009.

On the basis of the certified deficit, it is hereby declared that a fiscal watch exists at the City of Mansfield as defined in Section 118.022(A)(4) of the Ohio Revised Code.

Accordingly, this report is hereby submitted and filed with Donald R. Culliver, Mayor of the City of Mansfield, and the Richland County Budget Commission.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

December 15, 2009

**Introduction**

In response to a request from Mayor Donald R. Culliver, as provided for in Section 118.021 of the Ohio Revised Code, the Auditor of State performed an analysis of the City of Mansfield, Richland County.

A City is placed in fiscal watch if any one of four conditions described in Section 118.022 of the Ohio Revised Code exists as of December 31. The four conditions are: 1) significant past due accounts payable; 2) substantial deficit balances in City funds; 3) a sizeable deficiency in the City's treasury when the balance is compared to the positive cash balances of the City's funds; and 4) a forecasted general fund deficit at the end of the current year that exceeds one twelfth of the general fund revenue from the preceding year.

This report identifies the procedures performed and the conclusions reached with respect to the first three conditions as of December 31, 2008, and the forecast of the general fund for the year ending December 31, 2009.

**Condition One - Past Due Accounts Payable from the General Fund and All Funds**

Section 118.022(A)(1) of the Ohio Revised Code defines a fiscal watch condition as the existence of either of the following situations:

- (a) All accounts that were due and payable from the general fund of a municipal corporation, county, or township at the end of the preceding fiscal year that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year end balance in the general fund, exceeded one-twelfth of the general fund budget for that year.
- (b) All accounts that were due and payable at the end of the preceding fiscal year from all funds of a municipal corporation, county, or township and that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in the respective special funds available to pay those accounts, exceeded one-twelfth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which those accounts are payable.

We prepared a list of the accounts payable as of December 31, 2008, that were due and payable from all funds, and that had been due and payable for at least thirty days, or to which a penalty had been added for failure to pay as of December 31, 2008, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties.

**Conclusion:** A fiscal watch condition does not exist under Section 118.022(A)(1) of the Ohio Revised Code as of December 31, 2008. There were no accounts payable which were at least thirty days past due at the end of the year due from the general fund or any special funds.

City of Mansfield, Richland County

Fiscal Watch Analysis

**Condition Two - Deficit Fund Balances**

Section 118.022(A)(2) of the Ohio Revised Code defines a fiscal watch condition as:

The aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Ohio Revised Code to meet that deficit, exceeded one-twelfth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2008, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-twelfth of the general fund budget and the receipts of those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule I

Deficit Fund Balances  
Ohio Revised Code Section 118.022(A)(2)  
As of December 31, 2008

	<u>Cash Fund Balance</u>	<u>Less Accounts Payable and Encumbrances</u>	<u>Adjusted Aggregate Funds With Deficit Balances</u>	<u>Less One-Twelfth Fund Receipts</u>	<u>Unprovided Portion of Aggregate Deficit</u>
OSP Fines	\$0	\$4,703	(\$4,703)	\$4,565	(\$138)
Funds Available for Transfer from General Fund					<u>1,212,419</u>
Remaining Funds Available for Transfer					<u><u>\$1,212,281</u></u>

**Conclusion:** Schedule I indicates that a fiscal watch condition does not exist under Section 118.022(A)(2) of the Ohio Revised Code as of December 31, 2008. The aggregate deficit of the OSP fines fund did not exceed one twelve of the fund receipts and funds available from the general fund.

**Condition Three - Treasury Deficiency**

Section 118.022(A)(3) of the Ohio Revised Code defines a fiscal watch condition as:

At the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of a municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds, the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-twelfth of the total amount received into the unsegregated treasury during the preceding fiscal year.

City of Mansfield, Richland County

Fiscal Watch Analysis

We verified the City's reconciliation of its bank balance to the cash balance for all funds as of December 31, 2008, including the reconciling factors used to arrive at the treasury balance. We then subtracted the aggregate of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were performed because there was no treasury deficit.

Schedule II

Treasury Balance  
Ohio Revised Code Section 118.022(A)(3)  
As of December 31, 2008

	<u>Amounts at December 31, 2008</u>
Bank Cash Balance	\$18,441,426
Less: Adjusting for Outstanding Checks	(257,066)
Adjusting for Deposits in Transit	779
Adjusting for Other Adjustments	(64)
	<u>18,185,075</u>
Total Treasury Balance	
Positive Cash Fund Balances:	
General	1,365,225
Street Construction M&R	243,533
State Highway	18,237
Regional Community Advancement	24,425
Community Development	180,375
Drug Law Enforcement	35,880
Law Enforcement	200,303
Safety Services	383,249
Permissive Sales Tax	731,674
Industrial Development	692,599
Indigent Drivers Alcohol Treatment	3,261
Court Computerization	686,687
Local Law Enforcement Block Grant	90,996
Grant Fund	435,885
Probation Services	21,393
Court Costs (Justice Center)	311,234
Street Resurfacing	733,556
Section 108/New Fire Station	577,352
WWTP Final Clarification	\$39,690

(continued)

City of Mansfield, Richland County

Fiscal Watch Analysis

Amounts at  
December 31, 2008

Motor Pool	\$713,501
Water Operations	2,578,446
Sewer Operations	7,734,700
Airport Operations	29,519
Repair Garage	24,892
Information Technology	62,241
Utility Collections	32,954
Workers Compensation	48,783
Sub-Division	38,443
Unclaimed Monies	44,316
Adopt-A-Park	3,769
Safety-Town	\$6,377
Shade Tree	7
Sewer and Street Opening	17,542
Building Security	60,902
Transient Occupancy	11,593
Board and Buildings Standards	486
Utility Deposits	1,050
Total Positive Balances	<u>18,185,075</u>
Treasury Balance	<u><u>\$0</u></u>

Conclusion: Schedule II indicates that a fiscal watch condition does not exist under Section 118.022(A)(3) of the Ohio Revised Code as of December 31, 2008. The treasury balance equaled the fund cash balances.

**Condition Four - Financial Forecast**

Section 118.022(A)(4) of the Ohio Revised Code defines a fiscal watch condition as:

Based on an examination of the financial forecast approved by the legislative authority of a municipal corporation, county, or township, the auditor of state certifies that the general fund deficit at the end of the current fiscal year will exceed one-twelfth of the general fund revenue from the preceding fiscal year.

The Mansfield City Council, in Resolution Number 09-130, approved a financial forecast of the general fund for the year ending December 31, 2009. The Auditor of State examined the forecast and issued a report dated November 30, 2009 (see Appendix A). The financial forecast anticipates a deficit in the general fund of \$2,915,000, which exceeds one-twelfth of the general fund revenue from the prior year by \$2,037,000.

City of Mansfield, Richland County

Fiscal Watch Analysis

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Conclusion: The financial forecast of the general fund for the year ending December 31, 2009, indicates that a fiscal watch does exist under Section 118.022(A)(4) of the Ohio Revised Code. The forecast of the general fund for the year ending December 31, 2009, anticipates a deficit that exceeds one-twelfth of the general fund revenue from the preceding fiscal year.

**Summary**

We have performed the procedures necessary to determine whether any of the four conditions for fiscal watch set forth in Section 118.021 of the Ohio Revised Code existed as of December 31, 2008, at the City of Mansfield, Richland County. The results of our analysis indicate that a fiscal watch exists at the City of Mansfield as defined in Section 118.022(A)(4) of the Ohio Revised Code.

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

**APPENDIX A**

**City of Mansfield**  
**Richland County**

**Financial Forecast**

**For the Year Ending December 31, 2009**

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**City of Mansfield – Richland County**

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# Mary Taylor, CPA

Auditor of State

Members of Council  
City of Mansfield  
30 North Diamond Street  
Mansfield, Ohio 44902

## Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the general fund of the City of Mansfield for the year ending December 31, 2009. The City of Mansfield's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Our examination of the financial forecast was made for the purpose of forming an opinion on whether the financial forecast is presented in conformity with AICPA guidelines for presentation of a forecast and the underlying assumptions provide a reasonable basis for the forecast. The Schedule of Expenditures by Object and Department and Other Financing Uses is presented for purposes of additional analysis and is not a required part of the financial forecast. Such information has been subjected to procedures applied in the examination of the financial forecast and, in our opinion, is fairly stated in all material respects in relation to the financial forecast taken as a whole.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the City of Mansfield for the years ended December 31, 2006, 2007 and 2008 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the City's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

A handwritten signature in cursive script that reads "Mary Taylor".

MARY TAYLOR, CPA  
Auditor of State

November 30, 2009

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**City of Mansfield, Ohio**  
*Financial Forecast*  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2006, 2007 and 2008 Actual; and*  
*Ending December 31, 2009; Forecasted*

**General Fund**

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
<b>Revenues</b>				
Property Taxes	\$2,908,000	\$1,991,000	\$1,807,000	\$1,674,000
Municipal Income Tax	342,000	1,025,000	367,000	373,000
Intergovernmental	4,225,000	4,517,000	4,962,000	3,989,000
Charges for Services	1,838,000	1,735,000	127,000	178,000
Special Assessments	25,000	26,000	42,000	55,000
Cable Franchise Fee	330,000	335,000	348,000	355,000
Fines, Licenses and Permits	1,289,000	1,332,000	1,394,000	1,312,000
Investment Income	1,006,000	1,399,000	696,000	412,000
Other	446,000	556,000	798,000	930,000
<b>Total Revenues</b>	<b>12,409,000</b>	<b>12,916,000</b>	<b>10,541,000</b>	<b>9,278,000</b>
<b>Expenditures</b>				
Current:				
General Government				
Human Relations				
Other	2,000	4,000	7,000	22,000
City Council and Clerks				
Personal Services	142,000	149,000	155,000	153,000
Other	83,000	122,000	42,000	38,000
<b>Total City Council and Clerks</b>	<b>225,000</b>	<b>271,000</b>	<b>197,000</b>	<b>191,000</b>
Municipal Court Judges and Staff				
Personal Services	559,000	654,000	723,000	658,000
Other	1,324,000	1,725,000	956,000	515,000
<b>Total Municipal Court Judges and Staff</b>	<b>1,883,000</b>	<b>2,379,000</b>	<b>1,679,000</b>	<b>1,173,000</b>
Clerk of Court and Staff				
Personal Services	720,000	802,000	913,000	996,000
Other	477,000	645,000	288,000	265,000
<b>Total Clerk of Court and Staff</b>	<b>1,197,000</b>	<b>1,447,000</b>	<b>1,201,000</b>	<b>1,261,000</b>
Civil Service Commission				
Personal Services	20,000	20,000	20,000	19,000
Other	24,000	24,000	56,000	29,000
<b>Total Civil Service Commission</b>	<b>44,000</b>	<b>44,000</b>	<b>76,000</b>	<b>48,000</b>
Law Director and Staff				
Personal Services	470,000	481,000	505,000	499,000
Other	376,000	519,000	216,000	190,000
<b>Total Law Director and Staff</b>	<b>\$846,000</b>	<b>\$1,000,000</b>	<b>\$721,000</b>	<b>\$689,000</b>

(continued)

**City of Mansfield, Ohio**  
*Financial Forecast*  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2006, 2007 and 2008 Actual; and*  
*Ending December 31, 2009; Forecasted*

**General Fund**  
(continued)

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Finance Director and Staff				
Personal Services	\$519,000	\$505,000	\$672,000	\$578,000
Other	276,000	401,000	182,000	188,000
Total Finance Director and Staff	<u>795,000</u>	<u>906,000</u>	<u>854,000</u>	<u>766,000</u>
Mayor and Staff				
Personal Services	121,000	131,000	141,000	132,000
Other	99,000	155,000	88,000	190,000
Total Mayor and Staff	<u>220,000</u>	<u>286,000</u>	<u>229,000</u>	<u>322,000</u>
Service Safety Director and Staff				
Personal Services	89,000	92,000	143,000	129,000
Other	62,000	88,000	34,000	38,000
Total Service Safety Director and Staff	<u>151,000</u>	<u>180,000</u>	<u>177,000</u>	<u>167,000</u>
Human Resources				
Personal Services	127,000	159,000	161,000	155,000
Other	169,000	214,000	97,000	96,000
Total Human Resources	<u>296,000</u>	<u>373,000</u>	<u>258,000</u>	<u>251,000</u>
Engineering				
Personal Services	245,000	274,000	539,000	475,000
Other	177,000	327,000	146,000	118,000
Total Engineering	<u>422,000</u>	<u>601,000</u>	<u>685,000</u>	<u>593,000</u>
Maintenance				
Personal Services	240,000	188,000	207,000	238,000
Other	437,000	640,000	638,000	429,000
Total Maintenance	<u>677,000</u>	<u>828,000</u>	<u>845,000</u>	<u>667,000</u>
Income Tax				
Personal Services	453,000	463,000	485,000	419,000
Other	303,000	444,000	169,000	209,000
Total Income Tax	<u>756,000</u>	<u>907,000</u>	<u>654,000</u>	<u>628,000</u>
Special Assessments				
Other	<u>3,000</u>	<u>3,000</u>	<u>2,000</u>	<u>6,000</u>
Other				
Other	<u>1,228,000</u>	<u>471,000</u>	<u>2,008,000</u>	<u>2,624,000</u>
Total General Government	<u>\$8,745,000</u>	<u>\$9,700,000</u>	<u>\$9,593,000</u>	<u>\$9,408,000</u>

(continued)

**City of Mansfield, Ohio**

*Financial Forecast*

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2006, 2007 and 2008 Actual; and  
Ending December 31, 2009; Forecasted*

**General Fund**

(continued)

	2006 <u>Actual</u>	2007 <u>Actual</u>	2008 <u>Actual</u>	2009 <u>Forecasted</u>
Community Environment				
Codes and Permits				
Personal Services	\$353,000	\$361,000	\$370,000	\$271,000
Other	356,000	483,000	139,000	144,000
Total Codes and Permits	<u>709,000</u>	<u>844,000</u>	<u>509,000</u>	<u>415,000</u>
Chamber District				
Other	0	14,000	1,000	4,000
Total Community Environment	<u>709,000</u>	<u>858,000</u>	<u>510,000</u>	<u>419,000</u>
Leisure Time Activities				
Parks				
Personal Services	234,000	287,000	366,000	108,000
Other	549,000	725,000	300,000	192,000
Total Parks	<u>783,000</u>	<u>1,012,000</u>	<u>666,000</u>	<u>300,000</u>
Recreation				
Personal Services	54,000	74,000	77,000	54,000
Other	62,000	97,000	15,000	26,000
Total Recreation	<u>116,000</u>	<u>171,000</u>	<u>92,000</u>	<u>80,000</u>
Total Leisure Time Activities	<u>899,000</u>	<u>1,183,000</u>	<u>758,000</u>	<u>380,000</u>
<i>Total Expenditures</i>	<u>10,353,000</u>	<u>11,741,000</u>	<u>10,861,000</u>	<u>10,207,000</u>
<i>Excess of Revenues Over Expenditures</i>	<u>2,056,000</u>	<u>1,175,000</u>	<u>(320,000)</u>	<u>(929,000)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	123,000	60,000	659,000	282,000
Transfers Out	(668,000)	(1,490,000)	(382,000)	(3,523,000)
Advances Out	(60,000)	(659,000)	(282,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(605,000)</u>	<u>(2,089,000)</u>	<u>(5,000)</u>	<u>(3,241,000)</u>
<i>Net Change in Fund Balance</i>	1,451,000	(914,000)	(325,000)	(4,170,000)
Cash Balance, January 1	<u>1,156,000</u>	<u>2,607,000</u>	<u>1,693,000</u>	<u>1,368,000</u>
Cash Balance (Deficit), December 31	2,607,000	1,693,000	1,368,000	(2,802,000)
Encumbrances, December 31	<u>328,000</u>	<u>430,000</u>	<u>113,000</u>	<u>113,000</u>
Unencumbered Fund Balance (Deficit), December 31	<u>\$2,279,000</u>	<u>\$1,263,000</u>	<u>\$1,255,000</u>	<u>(\$2,915,000)</u>

See accompanying summary of significant policies and forecast assumptions  
See independent accountant's report

**City of Mansfield, Ohio**  
*Schedule of Expenditures by Object and Department and Other Financing Uses - Budget Basis*  
*For the Years Ended December 31, 2006, 2007 and 2008 Actual; and*  
*Ending December 31, 2009; Forecasted*

**General Fund**

Object/Department	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
<b>Personal Services</b>				
City Council and Clerks	\$142,000	\$149,000	\$155,000	\$153,000
Municipal Court Judges and Staff	559,000	654,000	723,000	658,000
Clerk of Court and Staff	720,000	802,000	913,000	996,000
Civil Service Commission	20,000	20,000	20,000	19,000
Law Director and Staff	470,000	481,000	505,000	499,000
Finance Director and Staff	519,000	505,000	672,000	578,000
Mayor and Staff	121,000	131,000	141,000	132,000
Service Safety Director and Staff	89,000	92,000	143,000	129,000
Human Resources	127,000	159,000	161,000	155,000
Engineering	245,000	274,000	539,000	475,000
Maintenance	240,000	188,000	207,000	238,000
Income Tax	453,000	463,000	485,000	419,000
Codes and Permits	353,000	361,000	370,000	271,000
Parks	234,000	287,000	366,000	108,000
Recreation	54,000	74,000	77,000	54,000
<i>Total Personal Services</i>	<u>4,346,000</u>	<u>4,640,000</u>	<u>5,477,000</u>	<u>4,884,000</u>
<b>Other</b>				
Human Relations	2,000	4,000	7,000	22,000
City Council and Clerks	83,000	122,000	42,000	38,000
Municipal Court Judges and Staff	1,324,000	1,725,000	956,000	515,000
Clerk of Court and Staff	477,000	645,000	288,000	265,000
Civil Service Commission	24,000	24,000	56,000	29,000
Law Director and Staff	376,000	519,000	216,000	190,000
Finance Director and Staff	276,000	401,000	182,000	188,000
Mayor and Staff	99,000	155,000	88,000	190,000
Service Safety Director and Staff	62,000	88,000	34,000	38,000
Human Resources	169,000	214,000	97,000	96,000
Engineering	177,000	327,000	146,000	118,000
Maintenance	437,000	640,000	638,000	429,000
Income Tax	303,000	444,000	169,000	209,000
Special Assessments	3,000	3,000	2,000	6,000
Other	1,228,000	471,000	2,008,000	2,624,000
Codes and Permits	356,000	483,000	139,000	144,000
Chamber District	0	14,000	1,000	4,000
Parks	549,000	725,000	300,000	192,000
Recreation	62,000	97,000	15,000	26,000
<i>Total Other</i>	<u>6,007,000</u>	<u>7,101,000</u>	<u>5,384,000</u>	<u>5,323,000</u>
<b>Other Financing Uses</b>				
Transfers Out	668,000	1,490,000	382,000	3,523,000
Advances Out	60,000	659,000	282,000	0
<i>Total Other Financing Uses</i>	<u>728,000</u>	<u>2,149,000</u>	<u>664,000</u>	<u>3,523,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>\$11,081,000</u>	<u>\$13,890,000</u>	<u>\$11,525,000</u>	<u>\$13,730,000</u>

See accompanying summary of significant policies and forecast assumptions  
See independent accountant's report

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Year Ending December 31, 2009*

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**Note 1 – The City**

The City of Mansfield is located in Richland County, Ohio and has a population of approximately 51,600. The City is a charter municipal corporation organized under the laws of the State of Ohio. The City's first charter was adopted in 1982 and has been subsequently amended, with the most recent amendment in 2000. The City's charter provides for an elected mayor, finance director and law director. Legislative power is vested in a seven-member Council, each elected to four-year terms. Five council members are elected from their ward with two elected at large. The four-year term mayor appoints department directors and public members of administrative bodies. The two judges for the Mansfield Municipal Court are elected to six year terms.

The City of Mansfield provides general governmental services, water and sewer services, park and recreation activities (leisure time activities), airport operations, fire and police protection, income tax administration, a municipal court and community and industrial development. The major departments include administration, parks and recreation, fire, police, service (street construction and repair, street cleaning and snow removal), water and sewer. The administration includes the mayor, council, law director, finance director and service safety director. The operation of each of these services and departments is directly controlled by City Council through the budgetary process.

**Note 2 – Nature of Presentation**

This financial forecast presents, to the best of the City's knowledge and belief, the expected revenues and expenditures and changes in fund balance for the forecast period. Accordingly, the forecast reflects the City's judgment of the expected conditions and its expected course of action, as of November 30, 2009, the date of the forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents only the general fund of the City. This presentation differs from the presentation in the historical financial statements which includes certain other funds combined with general fund. For presentation in the forecast, the general fund does not include certain items which are combined with the general fund in the City's audited financial statements for the years ended December 31, 2006, 2007 and 2008.

**Note 3 – Summary of Significant Accounting Policies**

***A. Basis of Accounting***

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to maintain the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Year Ending December 31, 2009*

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***B. Fund Accounting***

The City maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific revenues and expenditures. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The City uses various fund types and funds to maintain its financial records for the year. The restrictions associated with each class of funds are as follows:

***Governmental Funds***

***General Fund*** The general fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is disbursed or transferred in accordance with Ohio Law and the City Charter.

***Special Revenue Funds*** Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

***Debt Service Funds*** Debt service funds are used to account for financial resources used to pay principal and interest on long-term debt.

***Capital Projects Funds*** Capital projects funds are to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

***Permanent Funds*** Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the City or its constituents.

***Proprietary Funds***

***Enterprise Funds*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

***Internal Service Funds*** Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

***Fiduciary Funds*** Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trusts funds, investment trust funds, private-purpose trust funds and agency funds.

***C. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Year Ending December 31, 2009*

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to be budgeted and appropriated. The primary level of budgetary control adopted by City Council is established at the line item budget within each department and fund. Any budgetary modifications at these levels may only be made by ordinance of City Council.

***Tax Budget*** A budget of estimated cash receipts and disbursements is submitted to the Richland County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the succeeding year.

***Estimated Resources*** The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

***Appropriations*** A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by City Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City. The appropriation measure may be amended or supplemented during the year as new information becomes available.

***Encumbrances*** The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

***D. Property, Plant and Equipment***

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditures of resources, not costs.

**Note 4 – Revenue Assumptions**

***Property Taxes*** Property tax revenues consist of real property, public utility real and personal property, manufactured homes and tangible personal property taxes. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes. Property taxes are collected for, and distributed to, the City by the Richland County Auditor and Treasurer. The City may request advances from the Richland County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues and were based on information from the Richland County Auditor. The City uses property tax levies to finance general fund operations and police and fire protection services.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the City for all revenue lost due to the exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
For the Year Ending December 31, 2009

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All property tax revenues are based on property valuations and levy rates. The county is required to reappraise real property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2005 for taxes collected in 2006. The last update was completed in 2008 for taxes collected in 2009. Real property taxes are expected to decrease by \$133,000 due to increased delinquencies and the phase out of the tangible personal property tax. Beginning in 2006, House Bill 66 began a phase out of the business tangible personal property tax. The loss of tangible personal property tax revenues is offset by the increases in real property taxes. In 2006, the City collected \$412,000 in tangible personal property tax revenues.

The City's assessed values upon which property tax receipts were based for the current and last three years are as follows:

Class of Property	2006	2007	2008	2009
Real Property:				
Residential and Agricultural	\$435,657,550	\$434,847,790	\$433,556,240	\$432,263,600
Commercial and Industrial	180,324,420	177,517,940	179,805,920	178,901,290
Public Utility Personal Property	20,374,960	19,584,030	13,435,490	13,509,070
Tangible Personal Property	145,405,712	110,508,018	58,600,238	43,950,179
Total Assessed Value	<u>\$781,762,642</u>	<u>\$742,457,778</u>	<u>\$685,397,888</u>	<u>\$668,624,139</u>

The property tax revenues for the general fund are generated from inside millage only. The total tax rate is \$2.87 per \$1,000 of assessed valuation.

Public utility personal property taxes are collected and settled by the county at the same time as real estate taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period.

Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse the City for the loss of tangible personal property taxes as a result of these changes in House Bill 66 within certain limitations (see Intergovernmental Revenue below).

**Municipal Income Tax** The City levies a municipal income tax of 1.75 percent on all income earned within the City as well as income of residents earned outside the City. The first one percent of income tax is a permanent levy for City operations. An additional .25 percent income tax for street resurfacing became effective in 1985 and was most recently renewed for a four year period in May 2009. Effective in 1988, an additional .50 percent income tax was levied for police and fire services and the latest renewal for a four year period was in May 2007. The City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration and return annually.

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Year Ending December 31, 2009*

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All income tax money is receipted into a holding fund and distributed according to applicable levies and ordinances of Council. In 2009, income tax revenues are expected to decrease due to decreased wages of individuals working or living in the City. In addition, there have been several major employers within the City who have temporarily or permanently laid-off workers during 2009. The majority of income tax revenues received by the City are distributed to the safety fund. After distributions to other funds, the remainder of income tax revenue being distributed to general fund is approximately \$373,000.

***Intergovernmental Revenues*** Intergovernmental revenues include local government fund distributions, State allocations to offset the rollback and homestead tax relief programs, and allocations equivalent to the lost tangible personal property tax revenues. The local government funds are distributed monthly by the State to the County Auditor and from the County Auditor to the City.

In 2006, the State began reimbursing the City for lost revenue due to the phase out of tangible personal property tax. In collection years 2006 through 2010, the City is fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. In collection years 2011 through 2017, the reimbursements are phased out. The reimbursement will be made for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the City is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented. For 2009, the City anticipates an increase of \$89,000 in tangible personal property reimbursement revenue.

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes caused by the homestead and rollback tax relief programs.

Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. For the City, this increase is offset by decreasing assessed values of real property. A decrease of \$10,000 has been included in intergovernmental revenues due to decreased homestead and rollback reimbursements.

Section 503.12(B) of House Bill 66 (126<sup>th</sup> General Assembly) established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in funding levels and that considers the changes to the Ohio tax code. House Bill 119 (127<sup>th</sup> General Assembly), extended the freeze on local government and local government revenue assistance funds through calendar year 2007 equal to the amounts funded during calendar year 2006. Beginning in calendar year 2008, the local government and the local government revenue assistance programs were consolidated into one local government fund. The forecast assumes local government revenue to decrease \$237,000 based on the local government funds distribution sheet provided by the Richland County Budget Commission.

Estate tax is a State levied tax on the deceased's estate. The tax increases as the value of the estate increases, to a maximum of 7 percent for estates with a taxable value of over \$500,000. Estate tax varies greatly from year to year. Therefore, only what has been received to date is included in the forecast.

Other intergovernmental revenue consists primarily of cigarette tax and liquor permits. Based upon historical data, both liquor permits revenue and cigarette license fees will increase slightly for 2009.

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
For the Year Ending December 31, 2009

Summary of Intergovernmental Revenues				
Source	2006	2007	2008	2009
Tangible Personal Property Tax Reimbursement	\$127,000	\$226,000	\$314,000	\$403,000
Homestead and Rollback	187,000	187,000	237,000	227,000
Local Government Distribution	3,091,000	3,094,000	3,054,000	2,817,000
Estate Tax	749,000	933,000	1,287,000	469,000
Liquor Permit Fees	69,000	75,000	68,000	71,000
Cigarette License Fees	2,000	2,000	2,000	2,000
<b>Total Intergovernmental Revenue</b>	<b>\$4,225,000</b>	<b>\$4,517,000</b>	<b>\$4,962,000</b>	<b>\$3,989,000</b>

**Charges for Services** Charges for services include revenue from various property rentals and fees collected for the use of park pavilions. This revenue is anticipated to increase \$51,000 for 2009 due to increased rent from one of the City's properties.

**Special Assessments** Special assessments revenue represents amounts collected from property owners who have been assessed a charge for improvements to their property. This revenue is anticipated to increase from the prior year due to more improvements being done.

**Cable Franchise Fee** Cable franchise fees include revenue received from the cable provider for households having cable TV. Based upon the amount received to date, cable franchise fees are anticipated to increase slightly from prior years.

**Fines, Licenses and Permits** Fines, licenses and permits receipts represent charges for municipal court fines, various permits, and licenses to residents of the City. For 2009, a decrease of \$82,000 is anticipated, primarily due to decreases in housing and building permit fees.

**Investment Income** Interest receipts for 2009 are anticipated to decrease from 2008 levels due to decreasing interest rates and less cash available to invest. The City has investments in STAROhio, various federal securities and certificates of deposit.

**Other** Other revenue includes various revenues, reimbursements and small donations. A \$132,000 increase is forecasted for 2009. This increase is due to reimbursements from Richland County for the County's share of court costs paid for by the City. In 2009, the City began billing the County at a higher rate to cover the cost of bailiffs, in addition to the cost of judges that the County had previously paid for.

**Advances In** Advances in represents amounts advanced by the general fund to other funds in a prior year, which are being repaid the following year. In 2008, the general fund advanced \$282,000 to other funds, so this is the amount expected to be advanced back in 2009.

**Note 5 – Expenditure Assumptions**

**Personal Services** Personal services expenditures represent the salaries, wages and longevity paid to the employees and elected officials compensation. All employees receive their compensation on a bi-weekly basis except Council members, who are paid monthly.

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Year Ending December 31, 2009*

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City Council, by ordinance or negotiated agreements, sets the salary and hourly rates for elected officials and employees. The amounts forecasted for salaries and wages are based on the current pay rates and existing staff levels. At the end of 2008, the general fund maintained 130 elected and appointed employees. As of the date of this forecast, the City had only 111 general fund elected and appointed employees due to cuts made in almost every department. The only departments with an increase in personal services are the clerk of court and staff and maintenance departments, due to salary increases for employees.

The City has a labor agreement with the American Federation of State, County, and Municipal employees which expired on April 30, 2009. Memorandums of Understanding were negotiated in May and June 2009 to extend the contract for an additional year. Non-bargaining unit employees received anywhere from a significant pay cut to a five percent raise, based on the available funds budgeted for individual departments at the City.

The City Council includes nine elected members and two full time administrative positions. The Council members are paid an annual salary.

**Other** Other expenditures consist of all non-personal services expenditures of the City. These include employee benefits, utilities, professional services, property and casualty insurance, audit costs, office and building supplies, gas purchases, postage, etc.

The City provides medical, dental, vision and prescription benefits to its employees under a self-insured program. Under this program, each fund and department is charged a monthly rate for each employee per month. The monthly rate is \$1,027 per employee, per month. City employees contribute \$21.95 each month for single insurance coverage or \$53.34 per month for family insurance coverage. Employees can reduce this monthly cost by \$1 per month for each wellness test passed.

All full-time general fund employees participate in the Ohio Public Employees Retirement System of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual-covered salary and the employer contributes 14 percent of annual-covered salary.

Workers' compensation is based on the City's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The premium for calendar year 2008 was paid when the City received the invoice in February, 2009.

A few of the departments had large changes from the prior year. Municipal court judges and staff decreased \$441,000 due to not paying the costs of housing prisoners. Prisoners are now housed at the County Jail and payment to the County is paid from other expenditures. Mayor and staff increased by \$102,000 due to increased legal fees for several court cases and negotiations and arbitration with employee unions. Maintenance decreased \$209,000 as a result of less repairs and improvements being made to City property. The income tax department increased due to increased refunds paid to taxpayers. Other expenditures increased by \$616,000. This is partially due to payments to the County for prisoners, as described above. For 2009, these payments are anticipated to total \$1,066,000. Other expenditures also increased due to higher unemployment costs, as a result of the layoff of City employees during 2009. Also included in other expenditures is the cost of street lighting, utilities for City buildings. Parks decreased \$108,000 due to less employees, leading to lower benefit costs, less supplies purchased and much less spent in improvements to park property.

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Year Ending December 31, 2009*

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**Transfers** The City transfers resources to various funds each year. The general fund transfers money to other funds to provide the City's matching portion of certain grants, to support programs, and for debt service.

The general fund also provides transfers to subsidize special funds of the City when those funds cannot meet their obligations. For 2009, it is anticipated that the safety fund and the airport fund will require a subsidy from the general fund.

Below are the transfers for the last three years and the anticipated transfers-out for 2009:

Transfer To	General Fund Transfers			
	2006	2007	2008	2009
Safety Fund	\$319,000	\$1,160,000	\$0	\$3,038,000
Airport Fund	0	0	0	40,000
Grant Funds	74,000	24,000	25,000	27,000
Regional Community Advancement Fund	0	56,000	107,000	129,000
Bond Retirement Fund	275,000	250,000	250,000	281,000
Street Fund	0	0	0	8,000
<b>Total</b>	<b>\$668,000</b>	<b>\$1,490,000</b>	<b>\$382,000</b>	<b>\$3,523,000</b>

**Encumbrances** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The estimated encumbrances at year-end are based on prior years and limitations on other expenditures for 2009.

**Note 6 – Other Funds**

The City has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. In addition, there are certain funds that annually rely upon a subsidy from the general fund to meet their obligations. These subsidies are reported as transfers out and have been addressed in the transfers section above.

**A. Safety Fund and Airport Fund**

The safety fund has expenditures that are exceeding revenue sources. This fund receives property taxes, property tax allocations, income taxes, charges for services and fees, licenses and permits which are used to pay for police and fire salaries, pension, medicare, health insurance, life insurance, workers' compensation, uniform reimbursements, supplies and utilities. Salaries, benefits and other costs in the safety fund have risen during 2009, increasing the amount of income tax revenue needed to support the fund. This fund is subsidized by the general fund (as was addressed in the transfers section). For 2009, the safety fund is anticipated to have a deficit balance causing the general fund to transfer monies into this fund, further increasing the general fund deficit.

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Year Ending December 31, 2009*

The City has labor agreements with the Fraternal Order of Police Ohio Labor Council Incorporated for patrol officers and command officers and the International Association of Firefighters (IAFF). The police labor agreements allow for a four percent increase for the Fraternal Order of Police command officers and the Ohio Labor Council Incorporated Patrolmen’s bargaining unit employees in 2009. Those two labor agreements expired August 31, 2009. For the IAFF, the contract provides for a four percent increase in pay for 2009 and expires on November 30, 2011. During 2009, the City was in arbitration with the IAFF concerning reductions in force that the City had made. The arbitrator ruled in favor of the IAFF; however, a final agreement on the amount needed to make the employees “whole” has not been reached as of the date of this forecast.

The airport fund has expenditures that are exceeding revenue sources. This fund receives leases and rentals and fines, licenses and permits which are used to pay airport salaries, pension, medicare, health insurance, life insurance, workers’ compensation, supplies and utilities. For 2009, the airport fund is anticipated to have a deficit balance causing the general fund to transfer monies into this fund, further increasing the general fund deficit.

The following is the forecasted 2009 income statement for the safety fund and the airport fund:

*Summary of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Year Ending December 31, 2009; Forecasted*

	Safety	Airport
<b>Revenues</b>		
Property Taxes	\$389,000	\$0
Municipal Income Tax - .50 Percent Safety Levy	6,486,000	0
Municipal Income Tax - 1.00 Percent General Levy	11,049,000	297,000
Charges for Services	1,135,000	0
Fines, Licenses and Permits	237,000	74,000
Rent	0	70,000
Intergovernmental:		
Property Tax Allocation	49,000	0
Other	105,000	7,000
<i>Total Revenues</i>	19,450,000	448,000
<b>Expenditures</b>		
Personal Services	16,700,000	184,000
Other	6,176,000	334,000
<i>Total Expenditures</i>	22,876,000	518,000
<i>Excess of Revenues Over</i> <i>(Under) Expenditures</i>	(3,426,000)	(70,000)
<b>Other Financing Sources</b>		
Transfers In	3,038,000	40,000
<i>Net Change in Fund Balance</i>	(388,000)	(30,000)
Cash Balance, January 1	388,000	30,000
Cash Balance, December 31	\$0	\$0

**City of Mansfield, Ohio**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Year Ending December 31, 2009*

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***B. Employee Benefit Self-Insurance Fund***

The City provides medical, dental and prescription benefits through a self-insurance program. The City maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the City. The City pays a monthly rate for each employee into the internal service fund. The rate is paid by the fund that pays the salary for the employee. Monthly premiums are recommended by the third party administrator and approved by City Council. The fund purchases annual stop loss coverage for claims in excess of \$150,000 per person, per year. The City anticipates that the monthly rates charged during 2009 to be sufficient to cover the claims and administrative costs.

**Note 7 – Pending Litigation**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. As of the date of this forecast, the City is negotiating with the Fraternal Order of Police Ohio Labor Council Incorporated for patrol officers and command officers due to the expiration of their negotiated agreements on August 31, 2009. The City is also negotiating with the International Association of Firefighters to resolve issues as described above.





Mary Taylor, CPA  
Auditor of State

**CITY OF MANSFIELD**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 15, 2009**