MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

Mary Taylor, CPA
Auditor of State

Dave Yost · Auditor of State

February 24, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

DAVE YOST
Auditor of State

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www. auditor.state.oh.us

This Page is Intentionally Left Blank.

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mansfield City School District
Richland County
856 W. Cook Road
Mansfield, Ohio 44906

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Interactive Media and Construction, Inc., a discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Interactive Media and Construction, Inc., on the report of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

As discussed in Note 17 to the financial statements, the District has suffered recurring losses from operations and has a deficit unreserved fund balance in its General Fund. Note 17 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information 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 basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 30, 2010

The management's discussion and analysis of the Mansfield City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities decreased $26,819 which represents a .04% decrease from 2009.

- General revenues accounted for $53,682,134 in revenue or 79.66% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $13,707,116 or 20.34% of total revenues of $67,389,250.

- The District had $67,416,069 in expenses related to governmental activities; only $13,707,116 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $53,682,134 were not adequate to provide for these programs.

- The District's major governmental funds are the general fund and the debt service fund. The general fund had $51,492,140 in revenues and other financing sources and $51,781,847 in expenditures and other financing uses. During fiscal year 2010, the general funds' fund balance decreased $289,707 from a deficit balance of $873,040 to a deficit of $1,162,747.

- The debt service fund had $1,339,297 in revenues and $1,853,887 in expenditures. The debt service fund's fund balance decreased $514,590 from $9,951,204 to $9,436,614.

Using the 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 s*tatement of net assets* and s*tatement 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 and debt service fund are by far the most significant funds and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Assets 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 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all non-fiduciary assets, liabilities, 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 assets* and changes in those assets. This change in net assets 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 assets 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 assets and statement of activities can be found on pages 13-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund 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 only major governmental funds are the general fund and debt service fund.

Governmental Funds

Most 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* that 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 assets 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.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for a self-insurance program for employee health benefits. The basic proprietary fund financial statements can be found on pages 21-23 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 an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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 27-83 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2010 and 2009.

Net Assets

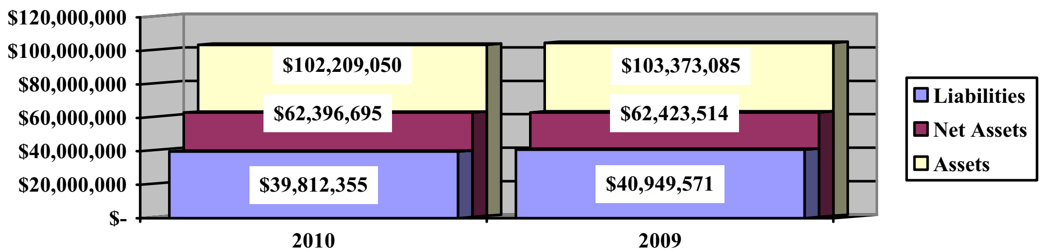
	Governmental Activities 2010	Governmental Activities 2009
Assets		
Current and other assets	$ 47,195,919	$ 46,998,083
Capital assets, net	55,013,131	56,375,002
Total assets	102,209,050	103,373,085
Liabilities		
Current liabilities	22,434,163	22,641,783
Long-term liabilities	17,378,192	18,307,788
Total liabilities	39,812,355	40,949,571
Net Assets		
Invested in capital assets, net of related debt	41,539,657	41,659,777
Restricted	19,597,652	19,135,495
Unrestricted	1,259,386	1,628,242
Total net assets	$ 62,396,695	$ 62,423,514

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by $62,396,695.

At year-end, capital assets represented 53.82% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2010, were $41,539,657. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, $19,597,652, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is $1,259,386.

Governmental Activities



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Revenues		
Program revenues:		
Charges for services and sales	$ 1,652,109	$ 2,670,853
Operating grants and contributions	12,055,007	16,489,764
Capital grants and contributions	-	57,697
General revenues:		
Property taxes	17,697,727	20,191,226
Grants and entitlements not restricted	34,010,921	27,947,576
Investment earnings	384,336	533,509
Miscellaneous	1,589,150	404,211
Total revenues	$ 67,389,250	$ 68,294,836

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Expenses		
Program expenses:		
Instruction:		
Regular	$ 18,069,579	$ 19,989,890
Special	7,984,862	7,554,146
Vocational	1,286,686	1,537,195
Adult	296,283	282,637
Other	11,507,952	11,317,209
Support services:		
Pupil	4,008,290	3,581,498
Instructional staff	2,360,438	2,874,475
Board of education	41,808	26,558
Administration	4,051,082	4,182,766
Fiscal	1,408,206	1,158,849
Business	854,710	1,552,428
Operations and maintenance	5,260,626	5,556,082
Pupil transportation	2,110,449	2,128,268
Central	2,563,524	2,012,513
Food service operations	2,049,519	2,234,997
Operations of non-instructional services	1,970,052	2,009,458
Extracurricular activities	841,864	820,869
Interest and fiscal charges	750,139	743,655
Total expenses	67,416,069	69,563,493
Change in net assets	(26,819)	(1,268,657)
Net assets at beginning of year	62,423,514	63,692,171
Net assets at end of year	$ 62,396,695	$ 62,423,514

Governmental Activities

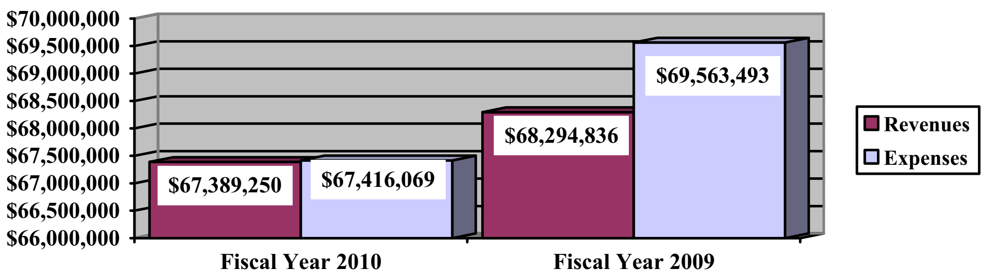
Net assets of the District's governmental activities decreased $26,819. Total governmental expenses of $67,416,069 were offset by program revenues of $13,707,116 and general revenues of $53,682,134. Program revenues supported 20.33% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 76.73% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled $39,145,362 or 58.07% of total governmental expenses for fiscal year 2010.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

Governmental Activities - Revenues and Expenses



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.

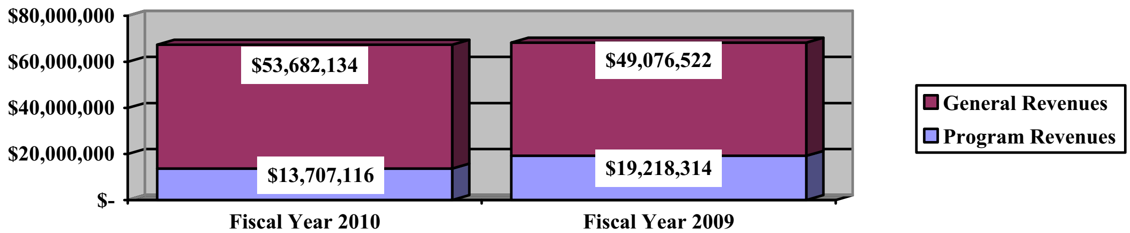
Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	$ 18,069,579	$ 13,922,518	$ 19,989,890	$ 13,526,503
Special	7,984,862	7,058,134	7,554,146	2,409,482
Vocational	1,286,686	720,219	1,537,195	959,285
Adult	296,283	(42,353)	282,637	(15,297)
Other	11,507,952	11,158,147	11,317,209	11,103,174
Support services:				
Pupil	4,008,290	3,486,939	3,581,498	3,374,591
Instructional staff	2,360,438	1,642,436	2,874,475	1,569,727
Board of education	41,808	41,808	26,558	26,558
Administration	4,051,082	3,597,245	4,182,766	3,549,628
Fiscal	1,408,206	795,631	1,158,849	1,081,135
Business	854,710	704,705	1,552,428	1,286,332
Operations and maintenance	5,260,626	5,242,728	5,556,082	5,541,427
Pupil transportation	2,110,449	1,973,914	2,128,268	1,688,670
Central	2,563,524	850,539	2,012,513	1,544,107
Food service operations	2,049,519	(86,729)	2,234,997	8,523
Operations of non-instructional services	1,970,052	1,314,684	2,009,458	1,396,909
Extracurricular activities	841,864	578,249	820,869	550,770
Interest and fiscal charges	750,139	750,139	743,655	743,655
Total expenses	$ 67,416,069	$ 53,708,953	$ 69,563,493	$ 50,345,179

The dependence upon tax and other general revenues for governmental activities is apparent, 83.83% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.67%. The District's taxpayers and unrestricted grants and entitlements from the State, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of $17,107,856, which is lower than last year's total of $17,755,741. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance (deficit) June 30, 2010	Fund Balance (deficit) June 30, 2009	Increase (Decrease)
General	$ (1,162,747)	$ (873,040)	$ (289,707)
Debt Service	9,436,614	9,951,204	(514,590)
Other Governmental	8,833,989	8,677,577	156,412
Total	$17,107,856	$ 17,755,741	$ (647,885)

General Fund

The District's general fund balance decreased $289,707. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2010 Amount	2009 Amount	Percentage Change
Revenues			
Taxes	$ 14,659,121	$ 18,356,787	(20.14) %
Tuition	631,025	678,034	(6.93) %
Earnings on investments	391,618	500,882	(21.81) %
Intergovernmental	34,056,371	30,294,945	12.42 %
Other revenues	1,747,046	1,442,018	21.15 %
Total	$ 51,485,181	$ 51,272,666	0.41 %
Expenditures			
Instruction	$ 33,144,615	$ 31,030,074	6.81 %
Support services	16,777,884	18,142,323	(7.52) %
Operation of non-instructional services	1,334,125	1,268,129	5.20 %
Extracurricular activities	488,323	461,867	5.73 %
Total	$ 51,744,947	$ 50,902,393	1.66 %

The decrease in taxes is due to the phase out of tangible personal property tax revenue along with a decrease in the amount of taxes available for advance recognized as revenue from $3,216,086 in fiscal year 2009 to $2,245,893 in fiscal year 2010. The amount of taxes available for advance fluctuates due to the timing of the tax bills sent from the County auditor. The decrease in tuition is due to a decline in open enrollment. The decrease in interest revenue is due to a decrease in interest rates on the District's investments. The increase in intergovernmental revenue is due to the receipt of hold-harmless payments from the State related to the phase out of the tangible personal property tax revenue. The increase in instructional expenditures is primarily due to the increases in the costs of wages and benefits. The decrease in support services expenditures is due to the District's implementation of cost savings measures.

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.

The District did not amend the budgeted revenues for the general fund. For the general fund, original and final budgeted revenues and other financing sources were $57,792,474. The actual revenues and other financing sources for fiscal year 2010 totaled $52,843,168, which were $4,949,306 lower than the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) were $51,727,032. The final appropriations were $52,172,936. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled $51,702,992, which was $469,944 lower than the final budgeted appropriations.

Debt Service Fund

The debt service fund balance decreased $514,590 during the course of fiscal year 2010. The debt service fund had revenues of $1,339,297 and expenditures of $1,853,887. This decrease is a result of debt payments exceeding tax revenues during fiscal year 2010.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had $55,013,131 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. This entire amount is reported in governmental activities.

The following table shows fiscal year 2010 balances compared to 2009:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	$ 5,135,808	$ 5,135,808
Land improvements	1,770,971	1,680,916
Buildings and improvements	46,009,488	47,187,804
Furniture and equipment	1,392,490	1,547,303
Vehicles	356,071	344,088
Textbooks	348,303	479,083
Total	$ 55,013,131	$ 56,375,002

The overall decrease in capital assets of $1,361,871 is due to depreciation expense of $2,100,536 exceeding capital outlays of $738,665 in the fiscal year.

See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2010, the District had $13,811,030 in general obligation bonds. Of this total, $1,230,747 is due within one year and $12,580,283 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt at June 30

	Governmental Activities 2010	Governmental Activities 2009
General obligation bonds - 1999	$ 47,577	$ 79,802
General obligation bonds - 2000	-	1,000,000
General obligation bonds - 2007	13,763,453	13,810,875
Total	$ 13,811,030	$ 14,890,677

At June 30, 2010, the District's overall legal debt margin was $35,813,032 with an unvoted debt margin of $440,933. See Note 9 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The District continues to receive support from the residents of the District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The District passed an operating levy in November 2007. Additionally, the residents of the District approved an Emergency Levy in 1993. This Emergency Levy has been renewed two times since that date. The last renewal of this levy was in March 2008. The residents of the District also passed a continuing Permanent Improvement Levy in 1996.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mil would pay $35.00 annually in taxes. If three years later, the home was reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mils and the owner would still pay $35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 26.26% of revenues for governmental activities for the District in fiscal year 2010.

The District has also been affected by increased delinquency rates and changes in personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched longer than the four years it was originally planned for. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike the District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court. The District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the District. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. In addition, the District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 James Lehmann, Treasurer, Mansfield City School District, 856 W. Cook Road, Mansfield, Ohio 44907.

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government	Component Units		
	Governmental Activities	Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy
Assets:				
Equity in pooled cash and investments	$ 21,147,946	$ 59,916	$ 607,918	$ 202,460
Receivables:				
Property taxes	24,455,801	-	-	-
Accounts	6,941	-	-	-
Accrued interest	25,145	-	-	-
Intergovernmental	1,218,824	19,999	26,438	29,059
Prepayments	23,585	2,421	2,437	912
Materials and supplies inventory	151,778	-	-	-
Unamortized bond issue costs	165,899	-	-	-
Capital assets:				
Land	5,135,808	-	-	-
Depreciable capital assets, net	49,877,323	3,315	22,471	6,768
Capital assets, net	55,013,131	3,315	22,471	6,768
Total assets	102,209,050	85,651	659,264	239,199
Liabilities:				
Accounts payable	68,817	8,536	1,235	5,600
Accrued wages and benefits	4,643,759	-	-	-
Pension obligation payable	1,300,324	-	-	-
Intergovernmental payable	346,973	1,491	-	542
Unearned revenue	15,351,256	-	-	-
Accrued interest payable	41,386	-	-	-
Claims payable	681,648	-	-	-
Long-term liabilities:				
Due within one year	1,728,643	-	-	-
Due within more than one year	15,649,549	-	-	-
Total liabilities	39,812,355	10,027	1,235	6,142
Net Assets:				
Invested in capital assets, net of related debt	41,539,657	3,315	22,471	6,768
Restricted for:				
Capital projects	6,203,617	-	-	-
Classroom facilities maintenance	2,124,471	-	-	-
Debt service	9,718,989	-	-	-
Locally funded programs	42,453	-	-	-
State funded programs	104,880	-	-	-
Federally funded programs	689,420	16,213	21,964	6,091
Public school support	129,547	-	-	80
Student activities	10,177	-	-	-
Other purposes	574,098	-	-	-
Unrestricted	1,259,386	56,096	613,594	220,118
Total net assets	$ 62,396,695	$ 75,624	$ 658,029	$ 233,057

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
				Primary Government
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 18,069,579	$ 685,572	$ 3,461,489	$ (13,922,518)
Special	7,984,862	101,214	825,514	(7,058,134)
Vocational	1,286,686	-	566,467	(720,219)
Adult	296,283	182,375	156,261	42,353
Other	11,507,952	-	349,805	(11,158,147)
Support services:				
Pupil	4,008,290	268	521,083	(3,486,939)
Instructional staff	2,360,438	709	717,293	(1,642,436)
Board of education	41,808	-	-	(41,808)
Administration	4,051,082	20	453,817	(3,597,245)
Fiscal	1,408,206	-	612,575	(795,631)
Business	854,710	-	150,005	(704,705)
Operations and maintenance	5,260,626	8,347	9,551	(5,242,728)
Pupil transportation	2,110,449	71,304	65,231	(1,973,914)
Central	2,563,524	19	1,712,966	(850,539)
Operation of non-instructional services:				
Other non-instructional services	1,970,052	-	655,368	(1,314,684)
Food service operations	2,049,519	344,888	1,791,360	86,729
Extracurricular activities	841,864	257,393	6,222	(578,249)
Interest and fiscal charges	750,139	-	-	(750,139)
Total governmental activities	$ 67,416,069	$ 1,652,109	$ 12,055,007	(53,708,953)
Component Units:				
Mansfield Enhancement Academy	$ 635,778	$ -	$ 247,587	-
Interactive Media and Construction, Inc.	469,788	-	509,258	-
Mansfield Elective Academy	322,995	-	299,340	-
Totals	$ 1,428,561	$ -	$ 1,056,185	-

General Revenues:	
Property taxes levied for:	
General purposes	15,799,838
Special revenue	184,372
Debt service	825,389
Capital projects	888,128
Grants and entitlements not restricted to specific programs	34,010,921
Investment earnings	384,336
Miscellaneous	1,589,150
Total general revenues	53,682,134
Change in net assets	(26,819)
Net assets at beginning of year	62,423,514
Net assets at end of year	$ 62,396,695

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets		
Component Units		
Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy
$ -	$ -	$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(388,191)	-	-
-	39,470	-
-	-	(23,655)
(388,191)	39,470	(23,655)
-	-	-
-	-	-
-	-	-
-	-	-
75,097	145,051	82,689
1,171	1,864	634
-	-	-
76,268	146,915	83,323
(311,923)	186,385	59,668
387,547	471,644	173,389
$ 75,624	$ 658,029	$ 233,057

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash				
and investments	$ 1,665,995	$ 9,332,597	$ 9,653,667	$ 20,652,259
Receivables:				
Property taxes	22,078,055	1,022,526	1,355,220	24,455,801
Accounts	4,293	-	2,648	6,941
Accrued interest	25,145	-	-	25,145
Intergovernmental	121,989	-	1,096,835	1,218,824
Prepayments	23,585	-	-	23,585
Materials and supplies inventory	117,016	-	34,762	151,778
Due from other funds	9,069	-	-	9,069
Restricted assets:				
Equity in pooled cash				
and cash equivalents	4,982	-	-	4,982
Total assets	$ 24,050,129	$ 10,355,123	$ 12,143,132	$ 46,548,384
Liabilities:				
Accounts payable	$ 19,173	$ -	$ 49,644	$ 68,817
Accrued wages and benefits	3,879,529	-	764,230	4,643,759
Compensated absences payable	97,096	-	59,192	156,288
Intergovernmental payable	302,240	-	44,733	346,973
Unearned revenue	13,735,211	636,134	979,911	15,351,256
Deferred revenue	6,171,617	282,375	1,110,050	7,564,042
Pension obligation payable	1,008,010	-	292,314	1,300,324
Due to other funds	-	-	9,069	9,069
Total liabilities	25,212,876	918,509	3,309,143	29,440,528
Fund Balances:				
Reserved for encumbrances	33,849	-	203,489	237,338
Reserved for supplies inventory	117,016	-	34,762	151,778
Reserved for prepayments	23,585	-	-	23,585
Reserved for tax revenue				
unavailable for appropriation	2,245,893	104,017	137,860	2,487,770
Reserved for debt service	-	9,332,597	-	9,332,597
Reserved for school bus purchases	4,982	-	-	4,982
Unreserved, undesignated (deficit), reported in:				
General fund	(3,588,072)	-	-	(3,588,072)
Special revenue funds	-	-	2,680,334	2,680,334
Capital projects funds	-	-	5,777,544	5,777,544
Total fund balances (deficit)	(1,162,747)	9,436,614	8,833,989	17,107,856
Total liabilities and fund balances	$ 24,050,129	$ 10,355,123	$ 12,143,132	$ 46,548,384

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		$ 17,107,856
Amounts reported for governmental activities on the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		55,013,131
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent taxes	$ 6,753,576	
Intergovernmental receivables	787,358	
Accrued interest receivable	23,108	
Total		7,564,042
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(190,943)
Unamortized bond issuance costs are not recognized in the funds.		165,899
Unamortized deferred charges are not recognized in the funds.		879,617
Unamortized premiums on bond issuance are not recognized in the funds.		(1,045,514)
Accrued interest payable is not due and payable within the current period and is therefore not reported in the funds.		(41,386)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(3,244,977)	
General obligation bonds	(13,811,030)	
Total		(17,056,007)
Net assets of governmental activities		$ 62,396,695

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	$ 14,659,121	$ 759,441	$ 1,006,507	$ 16,425,069
Tuition	631,025	-	5,932	636,957
Transportation fees	71,304	-	-	71,304
Earnings on investments	391,618	-	1,988	393,606
Charges for services	-	-	331,150	331,150
Extracurricular	-	-	246,021	246,021
Classroom materials and fees	-	-	66,108	66,108
Rental income	8,347	-	-	8,347
Contributions and donations	17,025	-	13,095	30,120
Contract services	78,245	-	-	78,245
Other local revenues	1,572,125	-	242,604	1,814,729
Intergovernmental - state	33,974,199	579,856	1,253,797	35,807,852
Intergovernmental - federal	82,172	-	9,901,984	9,984,156
Total revenue	51,485,181	1,339,297	13,069,186	65,893,664
Expenditures:				
Current:				
Instruction:				
Regular	16,491,266	-	238,201	16,729,467
Special	4,303,816	-	3,259,197	7,563,013
Vocational	1,209,317	-	72,559	1,281,876
Adult	-	-	313,123	313,123
Other	11,140,216	-	360,018	11,500,234
Support services:				
Pupil	3,319,837	-	542,595	3,862,432
Instructional staff	1,579,875	-	728,416	2,308,291
Board of education	41,808	-	-	41,808
Administration	3,455,364	-	445,805	3,901,169
Fiscal	725,255	18,562	654,524	1,398,341
Business	687,794	-	162,836	850,630
Operations and maintenance	4,065,415	-	1,521,161	5,586,576
Pupil transportation	2,026,015	-	65,532	2,091,547
Central	876,521	-	1,685,861	2,562,382
Operation of non-instructional	1,334,125	-	602,775	1,936,900
Food service operations	-	-	1,997,209	1,997,209
Extracurricular activities	488,323	-	301,733	790,056
Debt service:				
Principal retirement	-	1,232,225	-	1,232,225
Interest and fiscal charges	-	603,100	-	603,100
Total expenditures	51,744,947	1,853,887	12,951,545	66,550,379
Excess/deficiency of revenues over/under expenditures	(259,766)	(514,590)	117,641	(656,715)
Other financing sources (uses):				
Sale of assets	6,959	-	1,871	8,830
Transfers in	-	-	37,279	37,279
Transfers (out)	(36,900)	-	(379)	(37,279)
Total other financing sources (uses)	(29,941)	-	38,771	8,830
Net change in fund balances	(289,707)	(514,590)	156,412	(647,885)
Fund balances (deficit) at beginning of year	(873,040)	9,951,204	8,677,577	17,755,741
Fund balances (deficit) at end of year	$ (1,162,747)	$ 9,436,614	$ 8,833,989	$ 17,107,856

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND 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, 2010

Net change in fund balances - total governmental funds		$ (647,885)
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. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	$ 738,665	
Current year depreciation	(2,100,536)	
Total		(1,361,871)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	1,272,658	
Interest	(8,987)	
Intergovernmental	273,886	
Total		1,537,557
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,232,225
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	5,538	
Amortization of bond premium	60,030	
Amortization of bond issue costs	(9,525)	
Amortization of deferred charges on refundings	(50,504)	
Accreted interest on capital appreciation bonds	(152,578)	
Total		(147,039)
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.		(60,577)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(579,229)
Change in net assets of governmental activities		$ (26,819)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND 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, 2010

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Property taxes	$ 17,093,160	$ 17,093,160	$ 15,629,314	$ (1,463,846)
Tuition	700,970	700,970	640,939	(60,031)
Transportation fees	89,863	89,863	82,167	(7,696)
Earnings on investments	208,979	208,979	191,082	(17,897)
Rental income	9,129	9,129	8,347	(782)
Contributions and donations	18,620	18,620	17,025	(1,595)
Contract services	85,573	85,573	78,245	(7,328)
Other local revenues	1,731,690	1,731,690	1,583,389	(148,301)
Intergovernmental - state	37,453,657	37,453,657	34,246,154	(3,207,503)
Intergovernmental - federal	103,420	103,420	94,563	(8,857)
Total revenue	57,495,061	57,495,061	52,571,225	(4,923,836)
Expenditures:				
Current:				
Instruction:				
Regular	16,308,247	16,448,829	16,296,043	152,786
Special	4,440,955	4,479,238	4,437,632	41,606
Vocational	1,255,121	1,265,941	1,254,182	11,759
Other	11,129,555	11,225,495	11,121,226	104,269
Support Services:				
Pupil	3,308,967	3,337,492	3,306,491	31,001
Instructional staff	1,544,126	1,557,436	1,542,970	14,466
Board of education	42,477	42,843	42,445	398
Administration	3,395,757	3,425,030	3,393,216	31,814
Fiscal	734,790	741,124	748,909	(7,785)
Business	716,377	722,552	715,841	6,711
Operations and maintenance	4,017,003	4,051,631	4,013,997	37,634
Pupil transportation	2,037,649	2,055,214	2,036,124	19,090
Central	959,878	968,153	959,160	8,993
Operation of non-instructional services	1,325,780	1,337,209	1,324,788	12,421
Extracurricular activities	473,422	477,503	473,068	4,435
Total expenditures	51,690,104	52,135,690	51,666,092	469,598
Excess of revenues over (under) expenditures	5,804,957	5,359,371	905,133	(4,454,238)
Other financing sources (uses):				
Refund of prior year's expenditures	289,802	289,802	264,984	(24,818)
Transfers (out)	(36,928)	(37,246)	(36,900)	346
Sale of assets	7,611	7,611	6,959	(652)
Total other financing sources (uses)	260,485	260,167	235,043	(25,124)
Net change in fund balance	6,065,442	5,619,538	1,140,176	(4,479,362)
Fund balance at beginning of year	190,196	190,196	190,196	-
Prior year encumbrances appropriated	12,532	12,532	12,532	-
Fund balance at end of year	$ 6,268,170	$ 5,822,266	$ 1,342,904	$ (4,479,362)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash	
and cash equivalents	$ 490,705
Total assets.	490,705
Liabilities:	
Claims payable	681,648
Total liabilities	681,648
Net assets:	
Unrestricted (deficit)	(190,943)
Total net assets (deficit)	$ (190,943)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services	$ 7,225,668
Total operating revenues	7,225,668
Operating expenses:	
Purchased services.	922,639
Claims	6,882,258
Total operating expenses.	7,804,897
Operating loss.	(579,229)
Net assets at beginning of year	388,286
Net assets (deficit) at end of year	$ (190,943)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from other sales/charges for services . .	$ 7,228,244
Cash payments for purchased services	(922,639)
Cash payments for claims	(6,911,610)
Net cash used in operating activities	(606,005)
Net decrease in cash and cash cash equivalents	(606,005)
Cash and cash equivalents at beginning of year . . .	1,096,710
Cash and cash equivalents at end of year	$ 490,705
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (579,229)
Changes in assets and liabilities:	
Decrease in accounts receivable	2,576
(Decrease) in claims payable	(29,352)
Net cash used in operating activities	$ (606,005)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	**Agency**
Assets:		
Current assets:		
Equity in pooled cash		
and cash equivalents	$ 26,525	$ 782,143
Receivables:		
Accounts	-	23,908
Total assets	26,525	$ 806,051
Liabilities:		
Accounts payable	-	$ 7,902
Intergovernmental payable	-	769,709
Due to students	-	28,440
Total liabilities	-	$ 806,051
Net assets:		
Held in trust for scholarships	26,525	
Total net assets	$ 26,525	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Net assets at beginning of year	$ 26,525
Net assets at end of year.	$ 26,525

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Mansfield City School District (the "District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is a city school district as defined by Section 311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2009, was 3,612. The District employs 397 certified employees, 232 non-certified employees and 25 administrators.

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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities and proprietary fund provided it does not conflict with or contradict GASB pronouncements. 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". 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 three component units. The basic financial statements of the reporting entity include those of the District (the primary government) and the component units.

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

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

DISCRETELY PRESENTED COMPONENT UNITS

The Mansfield Enhancement Academy

The Mansfield Enhancement Academy (the "Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The Academy is a conversion community school that addresses the needs of students who have met some graduation requirements, but have failed to successfully complete all requirements necessary for the attainment of the high school diploma or graduation equivalence diploma. The Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The Academy Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is the sponsoring District of the Academy. The District is able to impose its will upon the operations for the Academy, therefore, the financial activity of the Academy are presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 856 W. Cook Road, Mansfield, Ohio 44907. Information about this component unit is presented in Note 19 to the basic financial statements.

Interactive Media and Construction, Inc.

The Interactive Media and Construction, Inc. (the "IMAC") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The IMAC is a conversion community school that is designed for high school students to obtain their high school diploma through a college preparatory curriculum. The IMAC provides a challenging curriculum, community/parental support, motivation through career skills and pay for work. The IMAC is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The IMAC Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is the sponsoring District of the IMAC. The District is able to impose its will upon the operations for the IMAC, therefore the financial activity of the IMAC is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the IMAC at 856 W. Cook Road, Mansfield, Ohio 44907. Information about this component unit is presented in Note 18 to the basic financial statements.

The Mansfield Elective Academy

The Mansfield Elective Academy (the "Elective Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The Elective Academy is a conversion community school that addresses the needs to students "at-risk" in Kindergarten through the eighth grade. The mission of the Elective Academy is to provide elementary and middle school students living within a guardian family setting a comprehensive educational program that helps meet the academic, psycho-social and emotional needs of the students and offers support to their caregivers and the school community. The Elective Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The Elective Academy Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is the sponsoring District of the Elective Academy. The District is able to impose its will upon the operations for the Elective Academy, therefore, the financial activity of the Elective Academy are presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Elective Academy at 856 W. Cook Road, Mansfield, Ohio 44907. Information about this component unit is presented in Note 20 to the basic financial statements.

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

JOINTLY GOVERNED ORGANIZATION

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")
The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2010, the District paid $202,763 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan
The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 liabilities is reported as fund balance.

The following are the District's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs.

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) food service and uniform school supplies operations; and (c) grants and other resources whose use is restricted to a particular purpose.

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 enterprise funds. The following is a description of the District's internal service fund.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for a self-insurance program for employee health benefits.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 only trust fund is a private-purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities and deposits held for the Richland County Family and Children First Council.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets 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. Internal service fund operating activity is eliminated to avoid over statement of revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

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 and all liabilities associated with the operation of the District are included on the statement of net assets.

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

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. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property 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 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, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements 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.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution 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 to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Tax Budget:

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Richland County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts from the certificate of amended resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, at the fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures for general fund, the District has elected to present its respective budgetary statement comparison at the fund and function level of expenditures.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

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 investments" on the basic financial statements.

During fiscal year 2010, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and a U.S. Government money market. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2010. 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, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2010 amounted to $391,618, which includes $377,191 assigned from other District 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 fiscal 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 expended when used. Inventories are accounted for using the consumption method which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions 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 for general capital assets. The District does not possess any infrastructure. 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 capitalized.

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 Estimated Lives
Land improvements	10 - 40 years
Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	13 years
Textbooks	5 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from loans to cover negative cash balances at June 30 are classified as "due to/due from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

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.

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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, 2010 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 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 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 on the fund financial statements when due.

L. Unamortized Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

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 bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, 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 an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.A.

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

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, school bus purchases and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes consists of monies restricted by State statute for school bus purchases (See Note 16).

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

P. 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.

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute for school bus purchases. See Note 16 for additional information regarding restricted assets.

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

R. 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.

Interfund activity between governmental funds is eliminated in the statement of activities.

S. 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 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances/Net Assets

Fund balances/Net Assets at June 30, 2010 included the following individual fund deficits:

	Deficit
Major General fund	$ 1,162,747
Nonmajor governmental funds	
Public school preschool	7,450
Alternative education	7,130
IDEA Part-B	36,119
Vocational education	15,254
Education stabilization	143,682
Improving teacher quality	52,306
Title I - migrant	2,556
Nonmajor proprietary fund:	
Internal service health benefits	190,943

The general fund is liable for any deficits in the nonmajor governmental funds and provides transfers when cash is required, not when accruals normally occur. The deficit fund balances for the nonmajor governmental funds resulted from adjustments for accrued liabilities. The deficit fund balance for the general fund also resulted from adjustments for accrued liabilities. The deficit balance in the general fund will be eliminated by resources not recognized or recorded at fiscal year end.

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;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the District had $6,000 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of “equity in pooled cash and investments”.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was $17,733,076. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, $11,958,632 of the District's bank balance of $18,458,632 was exposed to custodial risk as discussed below, while $6,500,000 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, 2010, the District had the following investments and maturities:

		Investment Maturities				
Investment type	Fair Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	25 to 60 months
FNMA	$ 2,462,192	$ -	$ -	$ -	$ -	$ 2,462,192
FHLB	809,407	-	-	100,313	100,406	608,688
FFCB	406,438	-	-	100,625	-	305,813
U.S. Government money market	537,501	537,501	-	-	-	-
STAR Ohio	2,000	2,000	-	-	-	-
Total	$ 4,217,538	$ 539,501	$ -	$ 200,938	$ 100,406	$ 3,376,693

The weighted average maturity of investments is 2.58 years.

Interest Rate Risk: 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, unless matched to a specific obligation or debt of the District.

Credit Risk: The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial credit 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, 2010:

Investment type	Fair Value	% of Total
FNMA	$ 2,462,192	58.38
FHLB	809,407	19.19
FFCB	406,438	9.64
U.S. Government money market	537,501	12.74
STAR Ohio	2,000	0.05
Total	$ 4,217,538	100.00

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

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 assets as of June 30, 2010:

Cash and investments per note	
Carrying amount of deposits	$ 17,733,076
Investments	4,217,538
Cash on hand	6,000
Total	$ 21,956,614
Cash and investments per financial statements	
Governmental activities	$ 21,147,946
Private-purpose trust fund	26,525
Agency funds	782,143
Total	$ 21,956,614

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers consisted of the following at June 30, 2010, as reported on the fund financial statements:

Transfers to nonmajor governemental funds from:	Amount
General fund	$ 36,900
Nonmajor governmental funds	379
Total	$ 37,279

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

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

B. Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following amounts due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	$ 9,069

The primary purpose of the interfund balances is to cover negative cash balances 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, 2010 are reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes.

NOTE 6 - PROPERTY TAXES - (Continued)

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.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was $2,245,893 in the general fund, $104,017 in the debt service fund $114,699 in the permanent improvement fund (a nonmajor governmental fund) and $23,161 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was $3,216,086 in the general fund, $140,439 in the debt service fund, $167,225 in the permanent improvement fund (a nonmajor governmental fund) and $32,802 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 tangible personal property taxes which are measurable as of June 30, 2010 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 unearned revenue.

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 deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 429,686,820	92.21	$ 424,496,510	96.27
Public utility personal	988,071	0.21	16,436,770	3.73
Tangible personal property	35,304,853	7.58	-	-
Total	$ 465,979,744	100.00	$ 440,933,280	100.00
Tax rate per $1,000 of assessed valuation	$68.65		$68.65	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported in the statement of net assets follows:

Governmental activities:	
Taxes	$ 24,455,801
Accounts	6,941
Intergovernmental	1,218,824
Accrued interest	25,145
Total	$ 25,706,711

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 07/01/09	Additions	Deductions	Balance 06/30/10
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 5,135,808	$ -	$ -	$ 5,135,808
Total capital assets, not being depreciated	5,135,808	-	-	5,135,808
Capital assets, being depreciated:				
Land improvements	3,066,930	234,902	-	3,301,832
Buildings and improvements	67,633,869	317,582	-	67,951,451
Furniture and equipment	6,184,289	40,539	-	6,224,828
Vehicles	2,004,818	145,642	(46,000)	2,104,460
Textbooks	3,043,838	-	-	3,043,838
Total capital assets, being depreciated	81,933,744	738,665	(46,000)	82,626,409
Less: accumulated depreciation:				
Land improvements	(1,386,014)	(144,847)	-	(1,530,861)
Buildings and improvements	(20,446,065)	(1,495,898)	-	(21,941,963)
Furniture and equipment	(4,636,986)	(195,352)	-	(4,832,338)
Vehicles	(1,660,730)	(133,659)	46,000	(1,748,389)
Textbooks	(2,564,755)	(130,780)	-	(2,695,535)
Total accumulated depreciation	(30,694,550)	(2,100,536)	46,000	(32,749,086)
Governmental activities capital assets, net	$ 56,375,002	$ (1,361,871)	$ -	$ 55,013,131

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 1,068,152
Special	287,966
Support services:	
Pupil	96,707
Administration	169,362
Operations and maintenance	273,048
Pupil transportation	128,670
Extracurricular activities	22,769
Other non-instructional services	21,398
Food service operations	32,464
Total depreciation expense	$ 2,100,536

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2010, the following changes occurred in governmental activities long term obligations:

	Balance Outstanding 07/01/09	Additions	Reductions	Balance Outstanding 06/30/10	Amounts Due in One Year
General obligation bonds - 1999	$ 79,802	$ -	$ (32,225)	$ 47,577	$ 25,747
General obligation bonds - 2000	1,000,000	-	(1,000,000)	-	-
General obligation bonds - 2005	13,810,875	152,578	(200,000)	13,763,453	1,205,000
Compensated absences	3,241,688	690,509	(530,932)	3,401,265	497,896
Total governmental activities	$ 18,132,365	$ 843,087	$ (1,763,157)	17,212,295	$ 1,728,643
Less: deferred charge on refunding				(879,617)	
Add: unamortized premium				1,045,514	
Total on statement of net assets				$ 17,378,192	

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and the following nonmajor governmental funds: auxiliary services, Title VI-B, public preschool, poverty aid, alternative school, Title II-A, preschool handicapped, vocational education, Title I, drug free grant, food service and adult education.

B. In 1999, the District issued $874,802 in general obligation bonds for renovations to Arlin Field Athletic Stadium. The bonds mature in September 2011.

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the Series 1999 general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year	General Obligation Bonds		
Ending June 30,	Principal	Interest	Total
2011	$ 25,747	$ 44,253	$ 70,000
2012	21,830	43,170	65,000
Total	$ 47,577	$ 87,423	$ 135,000

C. In 2000, the District issued $24,295,000 in the general obligation bonds for a new high school. The final maturity on the unrefunded portion of these bonds was in December 2009.

D. On July 27, 2005, the District issued general obligation bonds to advance refund a portion of the Series 2000 current interest bonds. The issuance proceeds of $15,342,930 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. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value $13,915,000, and capital appreciation bonds, par value $300,000. The capital appreciation bonds mature on December 1, 2014 and December 1, 2015 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2014 and 2015 are $1,170,000 and $1,115,000, respectively. Total accreted interest of $503,453 has been included in the statement of activities.

The following is a schedule of activity for fiscal year 2010 on the 2005 series refunding bonds:

	Balance 07/01/09	Additions	Reductions	Balance 06/30/10
Current interest bonds	$ 13,160,000	$ -	$ (200,000)	$ 12,960,000
Capital appreciation bonds	300,000	-	-	300,000
Accreted interest	350,875	152,578	-	503,453
Total refunding bonds	$ 13,810,875	$ 152,578	$ (200,000)	$ 13,763,453

The reacquisition price exceeded the net carrying amount of the old debt by $1,127,930. 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.

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2005 series refunding bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2011	$ 1,205,000	$ 501,395	$ 1,706,395	$ -	$ -	$ -
2012	1,195,000	462,395	1,657,395	-	-	-
2013	1,180,000	419,374	1,599,374	-	-	-
2014	1,175,000	372,275	1,547,275	-	-	-
2015	-	348,774	348,774	170,000	1,000,000	1,170,000
2016 - 2020	4,180,000	1,405,562	5,585,562	130,000	985,000	1,115,000
2021 - 2025	3,435,000	414,825	3,849,825	-	-	-
2026 - 2028	590,000	36,974	626,974	-	-	-
Total	$ 12,960,000	$ 3,961,574	$ 16,921,574	$ 300,000	$ 1,985,000	$ 2,285,000

E. 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, 2010, are a voted debt margin of $35,813,032 (including available funds of $9,436,614) and an unvoted debt margin of $440,933.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers and classified staff earn sick leave at the rate of one and one-fourth days per month. Upon retirement, qualified classified employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 46 days at their per diem rate. Certified employees receive 26% of their accumulated unused sick leave upon retirement. If a certified employee has 200 or more days of unused sick leave at the time of retirement, the employee will receive 30% of their accumulated unused sick leave.

NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees in the amount of $40,000 per employee.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with Indiana Insurance Company. The deductible is $10,000 per incident on property and $500 per incident on equipment. All vehicles are also insured with Indiana National Insurance Company and have a $500 deductible. All Board members, administrators and employees are covered under a school district liability policy with Indiana Insurance Company. The limits of this coverage are $1,000,000 per claim (claims made) with a $10,000,000 umbrella. The deductible is $2,500 per claim. The general liability has a limit of $1,000,000 for each occurrence and the general aggregate limit is $2,000,000. The Board members and superintendent have a $20,000 position bond with Travelers Casualty and Surety Company of America.

The Treasurer is covered under a bond in the amount of $200,000 provided by RLI Insurance.

Settled claims did not exceed commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year.

B. Workers' Compensation Rating Plan

The District participates in the Ohio Association of School Business Officials 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 CompManagement, Inc. provides administrative, cost control, assistance with safety programs and actuarial services to the GRP.

C. Employee Medical Benefits

The District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2010, a total expense of $922,639 was incurred in administrative costs. An excess coverage insurance policy covers individual claims in excess of $150,000. The liability for unpaid claims of $681,648 reported at June 30, 2010 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

NOTE 11 - RISK MANAGEMENT - (Continued)

Changes in the fund's claims liability amount in 2010 and 2009 were:

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2010	$ 711,000	$ 6,882,258	$ (6,911,610)	$ 681,648
2009	800,000	6,343,054	(6,432,054)	711,000

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*.

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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were $846,256, $613,628 and $572,363, respectively; 48.56 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 Web site at www.strsoh.org.

NOTE 12 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were $3,315,303, $3,399,590 and $3,269,185, respectively; 86.99 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were $96,440 made by the District and $68,885 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, 2010, 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 Chapter 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 premium for calendar year 2009 was $96.40 and 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*.

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 2010, 0.46 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 2010, the actuarially determined amount was $35,800.

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, 2010, 2009, and 2008 were $134,241, $405,794 and $408,950, respectively; 48.56 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, 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, 2010, 2009, and 2008 were $50,325, $50,629 and $41,240, respectively; 48.56 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 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 2010, 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, 2010, 2009, and 2008 were $255,023, $261,507 and $251,476, respectively; 86.99 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, disbursements, and encumbrances.

The statement of revenues, 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

(d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	General fund
Budget basis	$ 1,140,176
Net adjustment for revenue accruals	(1,086,044)
Net adjustment for expenditure accruals	(122,459)
Net adjustment for other sources/uses	(264,984)
Adjustment for encumbrances	43,604
GAAP basis	$ (289,707)

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is party to legal proceedings. The District management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 16 - STATUTORY RESERVES

The Districts is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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. These amounts must be carried forward to be used for the same purposes in future years.

NOTE 16 - STATUTORY RESERVES - (Continued)

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks/instructional materials and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2009	$ (2,155,897)	$ -
Current year set-aside requirement	666,603	666,603
Current year offset	-	(886,986)
Qualifying disbursements	(284,194)	(463,127)
Total	$ (1,773,488)	$ (683,510)
Balance carried forward to fiscal year 2011	$ (1,773,488)	$ -

The District had qualifying disbursements during the fiscal year and prior fiscal years that reduced the textbooks/instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases in the amount of $4,982, which is shown as restricted assets on the fund financial statements.

NOTE 17 - GOING CONCERN ISSUE

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles which contemplates continuation of the District as a going concern. The District is required to prepare and file, with the Superintendent of the Ohio Department of Education, a 5 year forecast. On December 8, 2006, the District was declared to be in a state of “Fiscal Watch” by the Auditor of State.

The District is required under Ohio Revised Code Section 3316.04 to submit to the Superintendent of public instruction a financial plan delineating the steps the Board will take to eliminate the District’s current operating deficit and avoid operating deficits in ensuing years, including the implementation of spending reductions. The District has been meeting monthly with the Ohio Department of Education to arrive at an acceptable plan to eliminate the projected deficits. Current actions have included administrative and staff reductions, building consolidations and enhanced purchasing controls.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC.

Interactive Media and Construction, Inc. ("IMAC") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students who have met some graduation requirements but have failed to successfully complete all requirements necessary for the attainment of the high school diploma or graduation equivalence diploma. IMAC is nonsectarian in its programs, admission policies, employment practices and all other operations. IMAC may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of IMAC. IMAC is considered a component unit of the Mansfield City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

IMAC is an innovative initiative that will be a cooperative effort with Mansfield City School District (the "Sponsor"). It is a conversion community school sponsored by the Mansfield City School District. IMAC will provide educational opportunities for students to obtain their high school diploma through college preparatory curriculum. IMAC will better serve the population by providing a challenging curriculum, community/parental support, motivation through career skills and pay for work. Enrollment is open to students within the attendance area of the Mansfield City School District and all bordering school districts. IMAC gives first choice to educationally disadvantaged, special education and economically at risk youth.

IMAC was approved for sponsorship under contract resolution on April 11, 2005, with the Sponsor for a period of five years commencing on the first day of the 2005-2006 academic year. The Sponsor has designated three of its administrative officers to represent the Sponsor in the occupants' official capacities as members of IMAC's Board of Directors. The individuals who hold such office with the Sponsor shall be formally instructed by the Sponsor that, as directors of IMAC, they are to represent the Sponsor and its interests. From time to time in its discretion, the Sponsor may substitute other administrative positions for those previously designated for this purpose.

Pursuant to the Sponsor's authority under section 3314.08(G) of the Ohio Revised Code to provide IMAC with services, the Sponsor shall be the fiscal agent of IMAC and shall direct the Sponsor's treasurer to serve as IMAC's fiscal officer. The Sponsor shall evaluate the performance of IMAC according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. Upon dissolution of IMAC, any assets remaining shall be conveyed to the Sponsor.

The service contract for the fiscal year 2010 between IMAC and the Sponsor was also approved. In agreement with the contract, IMAC shall utilize certain resources converted to IMAC's use by the Sponsor, including, but not limited to, portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion. The price for services rendered by the Sponsor to IMAC is established as the Sponsor's "cost of providing such services including, without limitation, employee salaries and fringe benefits, equipment costs if any, and administrative overhead". All personnel providing services to IMAC on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

A. Significant Accounting Policies

The basic financial statements (BFS) of IMAC 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. IMAC also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. IMAC had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. IMAC elected not to apply these FASB Statements and Interpretations. IMAC's significant accounting policies are described below.

Basis of Presentation - IMAC's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

Measurement Focus - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statements of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how IMAC's finances and meets the cash flow needs of its activities.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. IMAC's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place.

Nonexchange transactions, in which IMAC receives value without directly giving equal value in return, include grants, entitlements and donations. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which IMAC must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to IMAC on a reimbursement basis.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in IMAC's contract with its Sponsor. The contract between IMAC and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

Cash - Cash held by IMAC is reflected as "cash and cash equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2010, investments were limited to repurchase agreements. Investments were reported at fair value which is based on quoted market prices.

Capital Assets - All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. IMAC maintains a capitalization threshold of $500. IMAC does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over five years.

Prepayments - Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for Federally funded programs.

IMAC applies restricted resources first when an expense is incurred for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity. For IMAC, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of IMAC. All revenues and expenses not meeting this definition are reported as non-operating.

Intergovernmental Revenue - IMAC currently participates in the State Foundation Program through the Ohio Department of Education, the American Recovery and Reinvestment Act (ARRA) grants, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Improving Teacher Quality grant, the Federal Title IV-A Drug Free Schools grant and the Title II-D Technology grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 IMAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to IMAC on a reimbursement basis. Federal and State grant revenue for the fiscal year 2010 was $145,051.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

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

B. Accountability and Compliance

Change in Accounting Principles

For fiscal year 2010, IMAC has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of IMAC.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of IMAC.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of IMAC.

C. Deposits

Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all IMAC deposits was $(8,228). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". IMAC had a zero bank balance at June 30, 2010.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

Investments

As of June 30, 2010, IMAC had the following investments and maturities:

Investment type	Fair Value	Investment Maturities 6 months or less
Repurchase agreement	$ 616,146	$ 616,146

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, IMAC's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities underlying the repurchase agreement were rated AAA by Standard and Poor's and Aaa by Moody's. The IMAC has no investment policy dealing with credit risk beyond the requirements of State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, IMAC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the IMAC's $616,146 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the IMAC. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. IMAC 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: IMAC 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 IMAC at June 30, 2010:

Investment type	Fair Value	% of Total
Repurchase agreement	$ 616,146	100.00

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

Reconciliation of Cash and Investments to the Statement of Net Assets

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 assets as of June 30, 2010:

Cash and investments per note	
Carrying amount of deposits	$ (8,228)
Investments	616,146
Total	$ 607,918
Cash and investments per statement of net assets	
Business-type activities	$ 607,918

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 07/01/09	Additions	Deductions	Balance 06/30/10
Capital assets, being depreciated:				
Equipment	$ 33,302	$ -	$ -	$ 33,302
Less: accumulated depreciation	(7,609)	(3,222)	-	(10,831)
Capital assets	$ 25,693	$ (3,222)	$ -	$ 22,471

E. Receivables

IMAC had the following intergovernmental receivables at June 30, 2010:

IDEA Part B	$ 553
Title II-D	227
Title I	23,405
Title IV-A	365
Title II-A	1,888
Total	$ 26,438

The intergovernmental receivables are expected to be collected in the subsequent year.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

F. Purchased Services

For the year ended June 30, 2010, purchased services expenses were as follows:

Professional and technical services	$ 305,341
Property rental	32,400
Travel and meetings	5,557
Pupil transportation	1,350
Contracted services	5,086
Other	100,837
Total	$ 450,571

G. Risk Management

IMAC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2010, IMAC maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. IMAC provides $25,000 in bond coverage for the Treasurer through RLI Surety.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior fiscal year.

H. Contingencies

Grants

IMAC 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of IMAC at June 30, 2010.

Litigation

IMAC is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, IMAC owed the Ohio Department of Education $2,895.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

I. Service Agreement

IMAC has contracted with the Sponsor for school years 2008 through 2011. All services are to be provided on a purchased service or reimbursement basis. IMAC paid $360,398 to the Sponsor for educational, fiscal and administrative services during fiscal year 2010.

J. Pension Plans

IMAC has contracted with the Mansfield City School District (the District) to provide all teaching and administrative personnel. Such personnel are employees of the District; however, IMAC is responsible for monitoring and ensuring pension contributions are made on its behalf. The retirement systems consider IMAC as the "Employer of Record", therefore IMAC is ultimately responsible for remitting retirement contributions to each of the systems noted below.

School Employees Retirement System

Plan Description - IMAC participates, via its service contract, in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and 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*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and IMAC is required to contribute at an actuarially determined rate. The current IMAC rate is 14 percent of annual covered payroll. A portion of IMAC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. IMAC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were $4,776, $3,935 and $4,432, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description - IMAC participates, via its service contract, 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 Web site at www.strsoh.org.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. IMAC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

IMAC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were $24,754, $28,673 and $32,053, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

K. Postemployment Benefits

School Employees Retirement System

Plan Description - IMAC, via its service contract, 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 Chapter 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 premium for calendar year 2009 was $96.40 and 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*.

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 2010, 0.46 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 2010, the actuarially determined amount was $35,800.

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.

IMAC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009 and 2008 were $172, $,1801 and $2,022, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. IMAC's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008, were $284, $325 and $319, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

State Teachers Retirement System of Ohio

Plan Description - IMAC, via its service contract, 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 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. IMAC's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were $1,904, $2,206 and $2,466, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY

The Mansfield Enhancement Academy (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students who have met some graduation requirements but have failed to successfully complete all requirements necessary for the attainment of the high school diploma or graduation equivalence diploma. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the Mansfield City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Academy is an innovative initiative that will be a cooperative effort with Mansfield City School District (the "Sponsor"). It is a conversion community school sponsored by the Mansfield City School District. The Academy will use the latest technology to reach a diverse student population. This population includes, but is not limited to students ages 17 through 22 with 14 or more high school credits, a 12th plus grade level status, a risk of dropping out of high school and a failure to obtain a GED. Enrollment is limited to students within the attendance area of the Mansfield City School District.

The Academy was approved for sponsorship under contract resolution on June 9, 2004, with the Sponsor for a period of five years commencing on the first day of the 2004-2005 academic year. The Sponsor has designated three of its administrative officers to represent the Sponsor in the occupants' official capacities as members of the Academy's Board of Directors. The individuals who hold such office with the Sponsor shall be formally instructed by the Sponsor that, as directors of the Academy, they are to represent the Sponsor and its interests. From time to time in its discretion, the Sponsor may substitute other administrative positions for those previously designated for this purpose.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

Pursuant to the Sponsor's authority under section 3314.08(G) of the Ohio Revised Code to provide the Academy with services, the Sponsor shall be the fiscal agent of the Academy and shall direct the Sponsor's treasurer to serve as the Academy's Treasurer. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. Upon dissolution of the Academy, any assets remaining shall be conveyed to the Sponsor.

The service contract for the fiscal year 2010-2011 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor, including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum, and educational strategy, as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's "cost of providing such services including, without limitation, employee salaries and fringe benefits, equipment costs if any, and administrative overhead". All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

A. Significant Accounting Policies

The basic financial statements (BFS) of the Academy 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 Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

Basis of Presentation - The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

Measurement Focus - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statements of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its activities.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

Cash - All monies received by the Academy are deposited in a demand deposit account.

Capital Assets - All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of $500. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over five years.

Prepayments - Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for federally funded programs.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

Intergovernmental Revenue - The Academy currently participates in the State foundation program through the Ohio Department of Education, the American Recovery and Reinvestment Act (ARRA) grants, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Federal Title V-Innovative Programs grant, the Improving Teacher Quality grant, the Federal Title IV-A Safe and Drug-Free Schools grant and the EMIS grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2010 was $75,097.

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

B. Accountability and Compliance

Change in Accounting Principles

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

C. Deposits

At June 30, 2010, the carrying amount of the Academy's deposits was $59,916. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, the Academy's entire bank balance of $68,698 was covered by the Federal Deposit Insurance Corporation (FDIC).

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 07/01/09	Additions	Deductions	Balance 06/30/10
Capital assets, being depreciated:				
Equipment	$ 7,707	$ -	$ -	$ 7,707
Less: accumulated depreciation	(2,850)	(1,542)	-	(4,392)
Capital assets, net	$ 4,857	$ (1,542)	$ -	$ 3,315

E. Receivables

The Academy had the following intergovernmental receivables at June 30, 2010:

IDEA-Part B	$ 19,661
Title VI-A	338
Total	$ 19,999

The intergovernmental receivables are expected to be collected in the subsequent year.

F. Purchase Services

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

Professional and technical services	$ 470,252
Property services	32,400
Travel and meetings	62,530
Communications	4,600
Contracted trade	4,845
Other	40,683
Total	$ 615,310

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

G. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2010, the Academy maintains comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides the Treasurer $25,000 of bond coverage through RLI Surety.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior fiscal year.

H. Contingencies

Grants

The Academy 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

Litigation

The Academy is not involved in any litigation.

State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy has not been reviewed as of June 30, 2010. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2011, as a result of the reviews which have yet to be completed.

I. Service Agreement

The Academy has contracted with the Sponsor to manage its operations for school years 2005 through 2011. All services are to be provided on a purchased service or reimbursement basis. The Academy paid $438,490 in fiscal year 2010 to the Sponsor for educational and administrative services.

J. Pension Plans

The Academy has contracted with the Mansfield City School District (the District) to provide all teaching and administrative personnel. Such personnel are employees of the District; however, the Academy is responsible for monitoring and ensuring pension contributions are made on its behalf. The retirement systems consider the Academy as the “Employer of Record”, therefore the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

School Employees Retirement System

Plan Description – The Academy participates, via its service contract, in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and 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*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were $21,157, $13,837 and $15,268, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description - The Academy participates, via its service contract, 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 Web site at www.strsoh.org.

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.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

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.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were $12,374, $11,379 and $12,459, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

K. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description - The Academy, via its service contract, 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 Chapter 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 premium for calendar year 2009 was $96.40 and 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*.

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 2010, 0.46 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.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

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 2010, the actuarially determined amount was $35,800.

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 Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009 and 2008 were $762, $6,333 and $6,967, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008, were $1,258, $1,142 and $1,100, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description - The Academy, via its service contract, 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 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were $952, $875 and $958, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY

The Mansfield Elective Academy (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of "at-risk" students in kindergarten through eighth grade. "At-Risk" students, for purposes of the Academy, can be described as students who live in non-traditional settings. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the Mansfield City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

The Academy is an innovative initiative that will be a cooperative effort with Mansfield City Schools (the "Sponsor"). It is a conversion community school sponsored by the Mansfield City School District. The Academy will provide educational opportunities for students in kindergarten through eighth grade. The mission of the Academy is to provide elementary and middle school students living within a guardian family setting a comprehensive educational program that helps meet the academic, psycho-social and emotional needs of the students and offers support to their caregivers and the school community. Enrollment is open to students within the attendance area of the Mansfield City School District and all bordering school districts. In the case of over subscription, a lottery system will be utilized that includes all eligible applicants.

The Academy was approved for sponsorship under contract resolution on April 11, 2004, with the Sponsor for a period of five years commencing on the first day of the 2005-2006 academic year. The Sponsor has designated three of its administrative officers to represent the Sponsor in the occupants' official capacities as members of the Academy's Board of Directors. The individuals who hold such office with the Sponsor shall be formally instructed by the Sponsor that, as directors of the Academy, they are to represent the Sponsor and its interests. From time to time in its discretion, the Sponsor may substitute other administrative positions for those previously designated for this purpose.

Pursuant to the Sponsor's authority under Section 3314.08(G) of the Ohio Revised Code to provide the School with services, the Sponsor shall be the fiscal agent of the School and shall direct the Sponsor's treasurer to serve as the School's fiscal officer. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. Upon dissolution of the Academy, any assets remaining shall be conveyed to the Sponsor.

The service contract for the fiscal year 2010-2011 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's "cost of providing such services including, without limitation, employee salaries and fringe benefits, equipment costs if any, and administrative overhead". All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

The basic financial statements (BFS) of the Academy 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 Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

A. Significant Accounting Policies

Basis of Presentation - The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

Measurement Focus - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statements of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its activities.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

Cash **-** All monies received by the Academy are deposited in a demand deposit account.

Capital Assets - All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of $1,500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over five years.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for federally funded programs and public school support.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Intergovernmental Revenue - The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the American Recovery and Reinvestment Act (ARRA) grants, the Improving Teacher Quality grant, the Federal Title IV Drug Free Schools grant, the Title II-D Technology Grant and the EMIS grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2010 was $82,689.

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

Prepayments - Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

B. Accountability and Compliance

Change in Accounting Principles

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

C. Deposits

At June 30, 2010, the carrying amount of the Academy’s deposits was $202,460. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, the Academy's entire bank balance of $201,908 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 07/01/09	Additions	Deductions	Balance 06/30/10
Capital assets, being depreciated:				
Equipment	$ 16,917	$ -	$ -	$ 16,917
Less: accumulated depreciation	(6,766)	(3,383)	-	(10,149)
Capital assets, net	$ 10,151	$ (3,383)	$ -	$ 6,768

E. Receivables

The Academy had the following intergovernmental receivables at June 30, 2010:

IDEA Part B	$ 3,684
Title I	23,824
Title II-D	213
Title IV-A	253
Title II-A	1,085
Total	$ 29,059

The intergovernmental receivables are expected to be collected in the subsequent year.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

F. Purchased Services

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

Professional and technical services	$ 217,511
Property rental	10,001
Travel and meetings	2,631
Communications	2,027
Contracted trade	4,500
Other	63,761
Total	$ 300,431

G. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2010, the Academy maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides the Treasurer $25,000 of bond coverage through RLI Surety.

Settled claims have not exceeded commercial coverage in the past two years. There was no significant reduction in coverage from the prior fiscal year.

H. Contingencies

Grants

The Academy 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy has not been reviewed as of June 30, 2010. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2011, as a result of the reviews which have yet to be completed.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

I. Service Agreement

The Academy has contracted with the Sponsor to manage its operations for school years 2007 through 2011. All services are to be provided on a purchased service or reimbursement basis. The Academy paid $189,968 to the Sponsor for educational, fiscal and administrative services during fiscal year 2010.

J. Operating Lease - Lessee Disclosure

The Academy entered into a one year operating lease commencing September 1, 2008 and ending August 31, 2009 with the City of Mansfield for the use of classrooms and offices. This lease was renewed for an additional one year term commencing September 1, 2009 and ending August 31, 2010. This lease meets the criteria of an operating lease as defined by FASB Statement No. 13 "Accounting for Leases". The lease payment is $1,700 per month.

K. Pension Plans

The Academy has contracted with the Mansfield City School District (the District) to provide all teaching and administrative personnel. Such personnel are employees of the District; however, the Academy is responsible for monitoring and ensuring pension contributions are made on its behalf. The retirement systems consider the Academy as the "Employer of Record", therefore the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

School Employees Retirement System

Plan Description – The Academy participates, via its service contract, in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and 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*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were $1,910, $1,132 and $397, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

State Teachers Retirement System of Ohio

Plan Description - The Academy participates, via its service contract, 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 Web site at www.strsoh.org.

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.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were $11,532, $9,610 and $3,347, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

L. Postemployment Benefits

School Employees Retirement System

Plan Description - The Academy, via its service contract, 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 Chapter 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 premium for calendar year 2009 was $96.40 and 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*.

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 2010, 0.46 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 2010, the actuarially determined amount was $35,800.

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 Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009 and 2008 were $69, $518 and $181, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008, were $114, $93 and $29, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

State Teachers Retirement System of Ohio

Plan Description - The Academy, via its service contract, 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 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were $887, $739 and $257, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

This page intentionally left blank.

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ *Passed Through Grantor/* Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
(Passed through the Ohio Department of Education)						
Child Nutrition Cluster:						
School Breakfast Program	10.553	2010	$365,085	$6,858	$365,085	$6,858
National School Lunch Program	10.555	2010	967,423	130,295	967,423	130,295
Total Child Nutrition Cluster			1,332,508	137,153	1,332,508	137,153
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	2010	91,683		91,683	
Total U.S. Department of Agriculture			1,424,191	137,153	1,424,191	137,153
U.S. Department of Education						
(Passed through the Ohio Department of Education)						
Adult Education - Basic Grants to States	84.002	9009	9,194		9,194	
		9010	145,691		145,691	
		9009	2,188		2,188	
Total Adult Education - Basic Grants to States			157,073		157,073	
Title I Cluster:						
Title I Grants to Local Educational Agencies	84.010	2010	138,483		105,900	
		2009			385,173	
		2010	2,469,714		2,278,310	
		2009	2,864		47,068	
		2010	213,314		146,104	
		2009	10,790		30,583	
		2009			6,452	
		2010	65,521		90,175	
Total Title I Grants to Local Educational Agencies			2,900,686		3,089,765	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	349,300		239,676	
		2010	13,005		50,602	
		2010	4,946		9,383	
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			367,251		299,661	
Total Title I Cluster			3,267,937		3,389,426	
Special Education Cluster:						
Special Education_Grants to States	84.027	2009			141,433	
		2010	1,097,977		993,039	
Total Special Education_Grants to States			1,097,977		1,134,472	
ARRA - Special Education Grants to States, Recovery Act	84.391	2010	790,492		692,258	
Special Education_Preschool Grants	84.173	2009			4,902	
		2010	45,353		39,218	
Total Special Education_Preschool Grants			45,353		44,120	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2010	32,988		29,288	
Total Special Education Cluster			1,966,810		1,900,138	
Career and Technical Education -- Basic Grants to States	84.048	2009			4,236	
		2010	151,863		144,639	
Total Career and Technical Education -- Basic Grants to States			151,863		148,875	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009			538	
		2010	22,175		23,763	
Total Safe and Drug-Free and Communities State Grants			22,175		24,301	
Education for Homeless Children and Youth Cluster:						
Education for Homeless Children and Youth	84.196	2009			1,497	
		2010	37,422		31,683	
Total Education for Homeless Children and Youth			37,422		33,180	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	2010	10,962		10,505	
Total Education for Homeless Children and Youth Cluster			48,384		43,685	

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ *Passed Through Grantor/* Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Javits Gifted and Talented Students Education Grant Program	84.206	2009			3,000	
Twenty-First Century Community Learning Centers	84.287	2009			618	
State Grants for Innovative Programs	84.298	2009			2,371	
Education Technology State Grants	84.318	2009	277		3,087	
		2010	16,715		17,548	
Total Education Technology State Grants			16,992		20,635	
Improving Teacher Quality State Grants	84.367	2009	51,340		91,959	
		2010	554,758		519,755	
Total Improving Teacher Quality State Grants			606,098		611,714	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	1,851,322		1,851,322	
Total U.S. Department of Education			8,088,654		8,153,158	
U.S. Department of Health and Human Services						
(Passed through the Ohio Department of Developmental Disabilities)						
Medical Assistance Program	93.778	N/A	31,631			
Totals			$9,544,476	$137,153	$9,577,349	$137,153

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Mansfield City School District's (the District's) federal award program receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

This page intentionally left blank.

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

Mansfield City School District
Richland County
856 W. Cook Road
Mansfield, Ohio 44906

To the Board of Education:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Mansfield City School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2010, wherein we noted the District is experiencing certain financial difficulties. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the Interactive Media and Construction, Inc., a discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-002 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2010-001 and 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 30, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 30, 2010

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mansfield City School District
Richland County
856 W. Cook Road
Mansfield, Ohio 44906

To the Board of Education:

Compliance

We have audited the compliance of Mansfield City School District, Richland County, Ohio, (the District) with the types of compliance 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 Mansfield City School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Mansfield City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2010-004 and 2010-005.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-005 to be a material weakness.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 30, 2010.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 30, 2010

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	CFDA # 84.010 - Title I Grants to Local Educational Agencies; CFDA # 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act CFDA # 84.027 - Special Education_Grants to States; CFDA # 84.391 - ARRA - Special Education Grants to States, Recovery Act; CFDA # 84.173 - Special Education_Preschool Grants; CFDA # 84.392 - ARRA - Special Education - Preschool Grants, Recovery Act CFDA # 84.048 - Career and Technical Education -- Basic Grants to States CFDA # 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
(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

1. Finding for Recovery

Finding Number	2010-001

NONCOMPLIANCE

On May 31, 2007, Alicia Hinson signed an Administrative Employee Contract effective June 11, 2007 through June 22, 2007 specifying a $55,782 prorated salary. Based on a 225 work day year, the daily rate for this contract would have been $247.92. Since this contract was effective for 10 days, $2,479.20 should have been paid. However, Ms. Hinson was actually paid for 32 days totaling $7,933.44 resulting in an overpayment of $5,454.24. The District subsequently discovered the error and withheld one $2,484.33 paycheck from Ms. Hinson in July 2010. This resulted in a net overpayment of $2,969.91 to her during her employment at the District.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Alicia Hinson in the amount of $2,969 and in favor of the District's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Additionally, former Treasurer Robin McFarren and The Cincinnati Insurance Company, her bonding company, will be jointly and severally liable in the amount of $2,969 and in favor the District's General Fund to the extent that recovery is not obtained from Alicia Hinson.

Officials' Response: It is the districts understanding that the Auditor of State's Office will be sending a letter to Alicia Hinson confirming that they issued a finding for recovery for her salary overpayment. Should she fail to repay the district, the Prosecutor's Office may elect to pursue action.

2. Budgetary Reports

Finding Number	2010-002

SIGNIFICANT DEFICIENCY

Appropriations posted to the District's computerized budgetary reports did not always agree to the District's year-end Annual Appropriation Measure. The following variances were noted at fiscal year-end:

2. Budgetary Reports (continued)

Funds	Appropriations per District's Records	Approved Appropriations	Variance
001 General	$24,880,728	$52,172,936	($27,292,208)
500 Federal	13,308,322	9,327,450	3,980,872
002 Debt Service	2,082,150	1,853,887	228,263
003 Permanent Improvement	1,969,463	1,745,097	224,366
004 Building Improvement	3,218,875	1,760	3,217,115
006 Food Service	2,042,955	1,983,457	59,498
007 Trust Funds	2,062,079	1,679,699	382,380
012 Adult Education	274,700	164,932	109,768
024 Self Insurance	7,942,000	7,675,643	266,357

The District should periodically review the computerized budgetary reports to ensure appropriation amounts are posted accurately and timely. This will help the District better monitor its budget performance and compliance with budgetary laws and regulations.

Officials' Response: The district has appropriated to all funds on our system in FY11.

3. Payroll Testing Issues

Finding Number	2010-003

NONCOMPLIANCE AND MATERIAL WEAKNESS
See (federal) finding # 2010-005 below; GAGAS also requires us to report this finding within this section of our report.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Questioned Cost

Finding Number	2010-004
CFDA Title and Number	CFDA # 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

1. Questioned Cost (continued)

QUESTIONED COST

OMB A-87 Section (C) documents factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: (c.) Be authorized or not prohibited under State or local laws or regulations. **Ohio Rev. Code Section 3313.24(A)** indicates the treasurer shall be paid from the general fund of the district. Thus, per Ohio law, the treasurer cannot be paid from the State Fiscal Stabilization Fund monies.

Our State Fiscal Stabilization Fund grant testing revealed $14,669 of the Treasurer's salary and fringe benefits were paid from the SFSF grant funds. The District's financial statements were adjusted to reflect these disbursements from the General Fund.

The District should ensure all expenditures charged to the State Fiscal Stabilization Fund Federal grant are allowable per Federal and State laws.

Officials' Response/Corrective Action Plan:

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-004	The District has already moved the Treasurer back to being paid from General Fund. To correct the portion of his salary and benefits paid from SFSF funds in FY10 ($14,669), an adjustment will be made on the books in FY11 which will credit the SFSF accounts used to pay the Treasurer in FY10 and debit the General Fund. A second adjustment will be made crediting General Fund and debiting the SFSF fund using another employee who qualifies to be paid from SFSF funds.	February, 2011	James A. Lehmann, Treasurer

2. Payroll Testing Issues

Finding Number	2010-005
CFDA Title and Number	CFDA # 84.010 - Title I Grants to Local Educational Agencies; CFDA # 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act CFDA # 84.027 - Special Education_Grants to States; CFDA # 84.391 - ARRA - Special Education Grants to States, Recovery Act; CFDA # 84.173 - Special Education_Preschool Grants; CFDA # 84.392 - ARRA - Special Education - Preschool Grants, Recovery Act CFDA # 84.048 - Career and Technical Education -- Basic Grants to States CFDA # 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
Federal Award Number / Year	2009 – 2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

OMB Circular A-133 Compliance Supplement Part 6 - Internal Control indicates the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs. Additionally, **OMB Circular A-87(C)(1)(j)** indicates to be allowable under Federal awards, costs must be adequately documented.

The District has a centralized payroll processing function which encompasses payment of all employees, including those paid with Federal and non-Federal funds. Pursuant to the aforementioned requirements, we attempted to obtain a low control risk assessment over the District's payroll function as it relates to the major Federal programs and accounting controls over financial reporting.

We were unable to obtain a low control risk assessment over payroll as it relates to allowable cost principles for each major Federal program and internal control over financial reporting due to the following conditions:

- Initially, 27 of 60 (45%) of the employees selected for payroll control testing did not have contracts, supplemental contracts or timesheets readily available to support their bi-weekly pay amounts. Support for 20 of the 27 was subsequently provided.
- Seven of 60 (11.6%) payroll disbursements tested could not be recalculated because modifications to current contracts and/or retroactive pay calculations were not maintained. Alternative procedures were performed to help ensure these employees were not overpaid.

2. Payroll Testing Issues (continued)

- There were two instances where a timesheet was not provided to support the hours worked or additional pay. The undocumented hours worked was not significant and appeared reasonable.
- Our testing of three severance payments resulted in one employee being underpaid by $195, and two employees' whose calculations were not able to be located. Alternative audit procedures were performed to help ensure these employees were not overpaid.

Failure to have sufficient internal controls over the payroll function inhibits the District's ability to ensure compliance with major Federal program requirements as well as management's ability to monitor and ensure employees are being compensated at appropriate rates. Lack of readily available supporting documentation for employee pay amounts could lead to misunderstanding or disagreements of employee compensation rates and inhibits the District's ability to comply with public records requests.

The District should implement procedures to ensure all payroll supporting documentation is readily available. Original contracts, contract amendments, supplemental contracts, retroactive pay calculations, timesheets, and severance pay calculations should be maintained to support each employees' compensation. Such procedures will help ensure the District will comply with major Federal program requirements and ensure proper financial reporting.

Officials' Response/Corrective Action Plan:

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-003 and 2010-005	The District recognizes the errors and is prepared to rectify the problems by doing the following: 1. With the support of the administration, employees will not be paid until all proper forms have been submitted to the payroll department, all necessary information, ie: position, salary step, account code and salary have been given to the payroll department and all employees have been approved by the Board. 2. All contracts, letter of hire and calculations shall be kept and filed in the employee's payroll file.	Immediate	Payroll Department

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2009-MCSD-001	**ORC 3316.04** – The District has not updated its financial plan since 2007.	Yes	Finding no longer valid.
2009-MCSD-002	**31 USC 7502(a)(1)(A)** – The District did not file its reporting packet with the Federal Audit Clearinghouse within the required timeframe.	Yes	Finding no longer valid.

This Page is Intentionally Left Blank.

MANSFIELD CITY SCHOOL DISTRICT

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
FEBRUARY 24, 2011