



Dave Yost • Auditor of State



**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Mansfield Elective Academy  
Richland County  
856 West Cook Road  
Mansfield, Ohio 44907

To the Board of Directors:

We have audited the accompanying financial statements of the Mansfield Elective Academy, Richland County, Ohio, (the Academy), a component unit of the Mansfield City School District, as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mansfield Elective Academy, Richland County, Ohio, as of June 30, 2011, and the changes in its financial position and its cash flows 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 January 10, 2012, on our consideration of the Academy'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.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 10, 2012

**MANSFIELD ELECTIVE ACADEMY**  
**(A Component Unit of Mansfield City School District)**  
**RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The management's discussion and analysis of the Mansfield Elective Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets were \$257,073 at June 30, 2011.
- The Academy had operating revenues of \$303,042, operating expenses of \$333,416, and non-operating revenues of \$54,390 for fiscal year 2011. Total change in net assets for the fiscal year was an increase of \$24,016.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Academy's Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all 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 Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**MANSFIELD ELECTIVE ACADEMY**  
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**RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The table below provides a summary of the Academy's net assets at June 30, 2011 and June 30, 2010.

	<b>Net Assets</b>	
	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current assets	\$ 261,897	\$ 232,431
Capital assets, net	<u>3,384</u>	<u>6,768</u>
Total assets	<u>265,281</u>	<u>239,199</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>8,208</u>	<u>6,142</u>
Total liabilities	<u>8,208</u>	<u>6,142</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	3,384	6,768
Restricted	22,712	6,171
Unrestricted	<u>230,977</u>	<u>220,118</u>
Total net assets	<u>\$ 257,073</u>	<u>\$ 233,057</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets totaled \$257,073.

A portion of the Academy's net assets, \$22,712, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$230,977 may be used to meet the Academy's ongoing obligation to the students and creditors.

At year-end, capital assets represented 1.28% of total assets. Capital assets consisted of equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**MANSFIELD ELECTIVE ACADEMY**  
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**RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

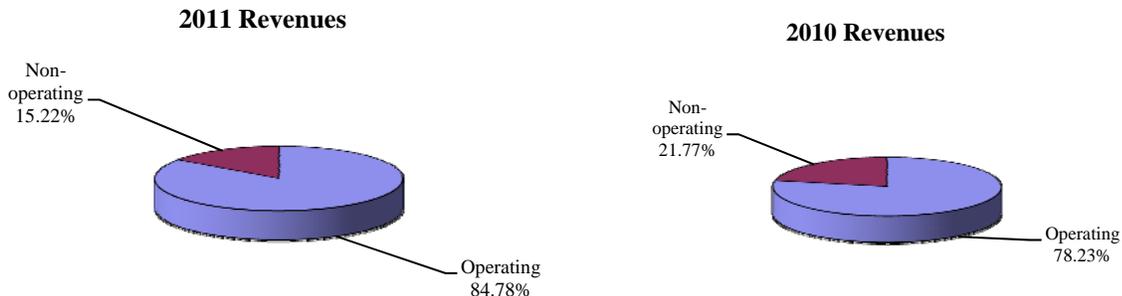
The table below shows the changes in net assets for fiscal years 2011 and 2010.

**Change in Net Assets**

	<u>2011</u>	<u>2010</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 303,042	\$ 299,340
Total operating revenue	<u>303,042</u>	<u>299,340</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	295,229	300,431
Materials and supplies	27,439	11,367
Depreciation	3,384	3,383
Other	<u>7,364</u>	<u>7,814</u>
Total operating expenses	<u>333,416</u>	<u>322,995</u>
<b><u>Non-operating Revenues:</u></b>		
Federal and State grants	54,018	82,689
Interest income	<u>372</u>	<u>634</u>
Total non-operating revenues	<u>54,390</u>	<u>83,323</u>
Change in net assets	24,016	59,668
Net assets at beginning of year	<u>233,057</u>	<u>173,389</u>
Net assets at end of year	<u>\$ 257,073</u>	<u>\$ 233,057</u>

The increase in State foundation revenue is related to the increase in enrollment of the Academy. The decrease in Federal and State grant revenue is due to the receipt of American Recovery and Reinvestment Act (ARRA) grants in fiscal year 2010. The Academy received fewer Federal grants in fiscal year 2011.

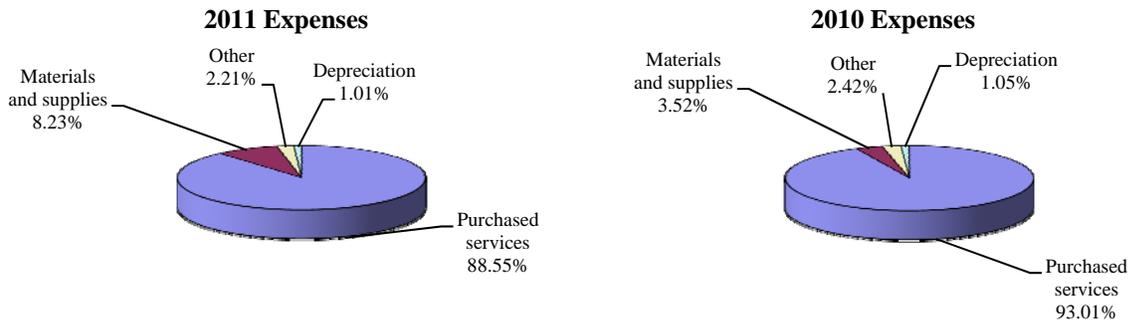
The charts below illustrate the revenues for the Academy for fiscal years 2011 and 2010.



**MANSFIELD ELECTIVE ACADEMY**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
 (UNAUDITED)

The charts below illustrate the expenses for the Academy during fiscal years 2011 and 2010.



**Capital Assets**

At June 30, 2011, the Academy had \$3,384 invested in equipment, net of accumulated depreciation. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

**Current Financial Related Activities**

The Academy has entered into a service contract for fiscal year 2011 with its Sponsor, Mansfield City School District. In agreement with this 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.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for State and Federal funds that are made available to finance its operations.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Department, Mansfield Elective Academy, 856 West Cook Road, Mansfield, Ohio 44907, or email [rosetta.stephens@mansfield.k12.oh.us](mailto:rosetta.stephens@mansfield.k12.oh.us).

**MANSFIELD ELECTIVE ACADEMY**  
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**RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2011

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents. . . . .	\$ 241,716
Receivables:	
Intergovernmental. . . . .	19,111
Prepayments . . . . .	<u>1,070</u>
Total current assets . . . . .	<u>261,897</u>
Noncurrent assets:	
Depreciable capital assets, net . . . . .	<u>3,384</u>
Total assets. . . . .	<u>265,281</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	4,014
Intergovernmental payable . . . . .	<u>4,194</u>
Total liabilities . . . . .	<u>8,208</u>
 <b>Net assets:</b>	
Invested in capital assets. . . . .	3,384
Restricted for:	
Public school support. . . . .	80
Federally funded programs. . . . .	22,632
Unrestricted. . . . .	<u>230,977</u>
Total net assets . . . . .	<u>\$ 257,073</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD ELECTIVE ACADEMY**  
**(A Component Unit of Mansfield City School District)**  
**RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 303,042
Total operating revenues . . . . .	303,042
<b>Operating expenses:</b>	
Purchased services. . . . .	295,229
Materials and supplies . . . . .	27,439
Other. . . . .	7,364
Depreciation . . . . .	3,384
Total operating expenses. . . . .	333,416
Operating loss. . . . .	(30,374)
<b>Non-operating revenues:</b>	
Federal and State grants. . . . .	54,018
Interest revenue . . . . .	372
Total non-operating revenues. . . . .	54,390
Change in net assets. . . . .	24,016
<b>Net assets at beginning of year . . . . .</b>	<b>233,057</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 257,073</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD ELECTIVE ACADEMY**  
**(A Component Unit of Mansfield City School District)**  
**RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 303,042
Cash payments to suppliers for goods and services . . . . .	(292,158)
Cash payments for materials and supplies . . . . .	(28,569)
Cash payments for other expenses . . . . .	(7,397)
	(25,082)
Net cash used in operating activities . . . . .	(25,082)
<b>Cash flows from noncapital financing activities:</b>	
Federal and State grants. . . . .	63,966
	63,966
Net cash provided by noncapital financing activities. . . . .	63,966
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	372
	372
Net cash provided by investing activities . . . . .	372
Net increase in cash and cash equivalents. . . . .	39,256
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>202,460</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 241,716</b>
	<b>\$ 241,716</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (30,374)
Adjustments:	
Depreciation . . . . .	3,384
Changes in assets and liabilities:	
Increase in prepayments . . . . .	(158)
Decrease in accounts payable. . . . .	(1,586)
Increase in intergovernmental payable. . . . .	3,652
	3,652
Net cash used in operating activities. . . . .	\$ (25,082)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MANSFIELD ELECTIVE ACADEMY**  
**(A Component Unit of Mansfield City School District)**  
**RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 1 - DESCRIPTION OF THE 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.

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 ninth 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, 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 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 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 2011-2012 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.

**MANSFIELD ELECTIVE ACADEMY**  
**(A Component Unit of Mansfield City School District)**  
**RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF 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) guidance 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 this FASB guidance. The Academy's significant accounting policies are described below.

**A. 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.

**B. 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.

**C. 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 on 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.

Expenses are recognized at the time they are incurred.

**MANSFIELD ELECTIVE ACADEMY  
(A Component Unit of Mansfield City School District)  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**D. 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 their contract with their 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.

**E. Cash**

Cash held by the Academy 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 2011, investments were limited to repurchase agreements. Investments were reported at fair value which is based on quoted market prices.

**F. 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.

**G. 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.

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

**H. 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.

**MANSFIELD ELECTIVE ACADEMY**  
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**RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**I. 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.

**J. 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 Education Jobs 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 2011 was \$54,018.

**K. 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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Academy.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

**MANSFIELD ELECTIVE ACADEMY  
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RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of the Academy's deposits was \$(2,866) exclusive of the \$244,582 repurchase agreement included in "investments" below. 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 Academy's bank accounts. The negative carrying amount of deposits is primarily due to the sweeping of money into overnight repurchase agreements, which are reported as "investments". The Academy had a zero bank balance at June 30, 2011.

**B. Investments**

As of June 30, 2011, the Academy had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase agreement	<u>\$ 244,582</u>	<u>\$ 244,582</u>

*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 Academy'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 Academy 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, the Academy 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 Academy's \$244,582 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 Academy. 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%. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The Academy 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 Academy at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	<u>\$ 244,582</u>	<u>100.00</u>

**MANSFIELD ELECTIVE ACADEMY**  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. 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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (2,866)
Investments	244,582
Total	<u>\$ 241,716</u>
 <u>Cash and investments per statement of net assets</u>	
Business-type activities	<u>\$ 241,716</u>

**NOTE 5 - CAPITAL ASSETS**

Changes in the Academy's capital assets for fiscal year 2011 follows:

	Balance <u>7/1/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
Capital assets, being depreciated:				
Equipment	\$ 16,917	\$ -	\$ -	\$ 16,917
Less: accumulated depreciation	<u>(10,149)</u>	<u>(3,384)</u>	<u>-</u>	<u>(13,533)</u>
Capital assets, net	<u>\$ 6,768</u>	<u>\$ (3,384)</u>	<u>\$ -</u>	<u>\$ 3,384</u>

**NOTE 6 - RECEIVABLES**

The Academy had the following intergovernmental receivables at June 30, 2011:

Education jobs	\$ 16,535
Title II-D	59
Title I	<u>2,517</u>
Total	<u>\$ 19,111</u>

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

**MANSFIELD ELECTIVE ACADEMY**  
**(A Component Unit of Mansfield City School District)**  
**RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 7 - PURCHASED SERVICES**

For fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional and technical services	\$ 235,189
Property rental	28,800
Travel and meetings	4,589
Communications	2,573
Contracted trade	4,500
Other	<u>19,578</u>
Total	<u>\$ 295,229</u>

**NOTE 8 - 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 2011, 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 three years. There was no significant reduction in coverage from the prior fiscal year.

**NOTE 9 - CONTINGENCIES**

**A. 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, 2011.

**B. Litigation**

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

**C. 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, 2011. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2012, as a result of the reviews which have yet to be completed.

**MANSFIELD ELECTIVE ACADEMY**  
**(A Component Unit of Mansfield City School District)**  
**RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - 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 \$178,242 to the Sponsor for educational, fiscal and administrative services during fiscal year 2011.

**NOTE 11 - OPERATING LEASE - LESSEE DISCLOSURE**

The Academy along with the Mansfield Enhancement Academy and the Interactive Media and Construction, Inc. entered into a one year operating lease commencing September 1, 2009 and ending August 31, 2010 with the City of Mansfield for the use of classrooms and offices. This lease has been renewed on an annual basis with the most recent renewal for an additional one year term commencing September 1, 2010 and ending August 31, 2011. This lease meets the criteria of an operating lease as defined by FASB Statement No. 13 "Accounting for Leases". The lease payment is \$7,200 per month, with payments divided between the three participating Academies. The Academy paid \$28,800 in lease payments during fiscal year 2011.

**NOTE 12 - 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.

**A. School Employees Retirement System**

Plan Description - The Academy 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](http://www.ohsers.org), under "Media/Financial Reports".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$118, \$460 and \$0, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MANSFIELD ELECTIVE ACADEMY  
(A Component Unit of Mansfield City School District)  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For fiscal year 2011, 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, 2011, 2010 and 2009 were \$12,977, \$14,960 and \$11,682, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MANSFIELD ELECTIVE ACADEMY  
(A Component Unit of Mansfield City School District)  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 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](http://www.ohsers.org), under "*Media/Financial Reports*".

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 2011, 1.43 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 2011, 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, 2011, 2010 and 2009 were \$14, \$69 and \$518, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, 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, 2011, 2010, and 2009 were \$8, \$27 and \$0, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MANSFIELD ELECTIVE ACADEMY  
(A Component Unit of Mansfield City School District)  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy 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](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010 and 2009 were \$998, \$1,151 and \$899, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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# Dave Yost • Auditor of State

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

Mansfield Elective Academy  
Richland County  
856 West Cook Road  
Mansfield, Ohio 44907

To the Board of Directors:

We have audited the financial statements of the Mansfield Elective Academy, Richland County, Ohio, (the Academy) a component unit of the Mansfield City School District, as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 10, 2012. 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*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated January 10, 2012.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 10, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mansfield Elective Academy  
Richland County  
856 W. Cook Road  
Mansfield, Ohio 44906

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Mansfield Elective Academy, Richland County, Ohio, (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 10, 2012

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# Dave Yost • Auditor of State

**MANSFIELD ELECTIVE ACADEMY**

**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 2, 2012**