Dave Yost • Auditor of State

Mansfield City School District
Richland County, Ohio

Financial Forecast
For the Fiscal Year Ending June 30, 2015

Local Government Services Section

Mansfield City School District
Richland County

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Financial Planning and Supervision Commission
Mansfield City School District
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

Board of Education
Mansfield City School District
856 West Cook Road
Mansfield, Ohio 44907

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Mansfield City School District, Richland County, Ohio, and issued a report dated February 5, 2015. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2015, of $5,535,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2016 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2015.

DAVE YOST
Auditor of State

Unice S. Smith

Unice S. Smith
Chief of Local Government Services

May 7, 2015

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Dave Yost • Auditor of State

Board of Education
Mansfield City School District
856 West Cook Road
Mansfield, Ohio 44907

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Mansfield City School District for the fiscal year ending June 30, 2015. The Mansfield City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2012, 2013, and 2014 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

Dave Yost

DAVE YOST
Auditor of State

February 5, 2015

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Mansfield City School District
Richland County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2012 Through 2014 Actual;
For the Fiscal Year Ending June 30, 2015, Forecasted
General Fund

	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual	Fiscal Year 2015 Forecasted
Revenues				
General Property Taxes	$16,871,000	$13,185,000	$14,651,000	$16,022,000
Tangible Personal Property Taxes	6,000	0	0	0
Unrestricted Grants-in-Aid	28,598,000	29,486,000	29,503,000	32,429,000
Restricted Grants-in-Aid	543,000	568,000	3,011,000	3,155,000
Restricted Federal Grants-in-Aid - SFSF	830,000	133,000	0	0
Property Tax Allocation	4,716,000	3,445,000	3,322,000	3,454,000
All Other Revenues	3,536,000	3,004,000	2,881,000	2,419,000
Total Revenues	55,100,000	49,821,000	53,368,000	57,479,000
Other Financing Sources				
Proceeds from Sale of Notes	0	2,500,000	0	0
Solvency Assistance Advance	0	0	3,685,000	0
Transfers In	122,000	3,400,000	0	0
Total Other Financing Sources	122,000	5,900,000	3,685,000	0
Total Revenues and Other Financing Sources	55,222,000	55,721,000	57,053,000	57,479,000
Expenditures				
Personal Services	26,455,000	25,866,000	26,222,000	22,108,000
Employees' Retirement/Insurance Benefits	11,189,000	11,903,000	11,222,000	11,394,000
Purchased Services	14,456,000	15,018,000	16,868,000	15,927,000
Supplies and Materials	915,000	833,000	727,000	880,000
Capital Outlay	107,000	66,000	342,000	376,000
Debt Service:				
Principal-State Advancements	0	0	0	1,843,000
Principal-HB 264 Loans	0	0	0	175,000
Principal-Tax Anticipation Notes	0	0	210,000	475,000
Interest and Fiscal Charges	0	28,000	138,000	146,000
Other Objects	653,000	629,000	627,000	653,000
Total Expenditures	53,775,000	54,343,000	56,356,000	53,977,000
Other Financing Uses				
Transfers Out	1,268,000	250,000	1,163,000	0
Total Expenditures and Other Financing Uses	55,043,000	54,593,000	57,519,000	53,977,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	179,000	1,128,000	(466,000)	3,502,000
Cash Balance July 1	1,680,000	1,859,000	2,987,000	2,521,000
Cash Balance June 30	1,859,000	2,987,000	2,521,000	6,023,000
Encumbrances				
Actual/Estimated Encumbrances June 30	370,000	650,000	445,000	488,000
Unencumbered/Unreserved Fund Balance June 30	$1,489,000	$2,337,000	$2,076,000	$5,535,000

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

Note 1 – The School District

The Mansfield City School District (School District) is located in Richland County and includes most of the City of Mansfield. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates ten instructional buildings and an administrative building. The School District employs 344 certified employees and 192 classified employees who provide services to 3,895 students and other community members.

Note 2 – Nature of the Forecast

This financial forecast presents, to the best of the Mansfield City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 5, 2015, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the general fund supported debt and the education jobs and the school district fiscal stabilization funds are included in the general fund.

Note 4 – Summary of Significant Accounting Policies

Basis of Accounting

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

Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund – The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds – Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

Proprietary Funds

Enterprise Funds – Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds are used to account and report for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

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

Budgetary Process

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.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Richland County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources – The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

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

Note 5 – General Operating Assumptions

The Mansfield City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 – Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Richland County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2015 (the collection year) for real and public utility property taxes represents collections of 2014 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2016 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2015.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the general fund, the year approved, first and last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per $1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	$4.40
Continuing Operating	1976	1977	n/a	26.40
Continuing Operating	1983	1984	n/a	9.65
Continuing Operating	1991	1992	n/a	5.70
Emergency ($3,900,000)	2013	2014	2018	10.20
Emergency ($4,000,000)	2013	2014	2018	10.50
Total Tax Rate				$66.85

The School District also has levies for bonded debt and permanent improvements totaling $4.00 per $1,000 of assessed valuation. The School District's total tax rate is $70.85 per $1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate was at $44.85 per $1,000 of assessed valuation for collection year 2014, and the effective commercial and industrial real property tax rate was $55.40 per $1,000 of assessed valuation for collection year 2014.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in business was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied or collected after calendar year 2010. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

<u>General Property Tax</u> – General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amounts shown in the revenue section of the forecast represent gross property tax revenue and are based upon information provided by the Richland County Auditor. The School District anticipates an increase of $1,371,000 in fiscal year 2015 from the prior fiscal year. Although voters approved a new emergency levy in November 2013, collections did not begin until January 2014. Therefore, the spring settlement for fiscal year 2014 included collections from the new emergency levy, but the fall settlement for fiscal year 2014 did not include this levy. Fiscal year 2015 is expected to increase due to the School District receiving a full year of collections from the emergency levy that was approved in November 2013.

Unrestricted Grants-in-Aid

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model (OEBM) to a new funding method. However, since a new funding mechanism was not formulated as of yet, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula was devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received at least the total funding it received in fiscal year 2011, after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount was then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district received an increase greater than 6.25 percent for fiscal year 2014. These calculations did not change in fiscal year 2015. Based on the most current foundation settlement, the School District estimates $32,249,000 in foundation funding for fiscal year 2015.

Beginning in fiscal year 2013, the School District started receiving additional unrestricted grants-in-aid revenue due to casino revenue. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. For fiscal year 2015, the School District anticipates casino revenue of $180,000, for a total unrestricted grants-in-aid amount of $32,429,000.

Restricted Grants-in-Aid

Restricted grants-in-aid consists of revenue to aid career technologies programs and state poverty based assistance programs. For fiscal year 2015, the School District expects to receive $380,000 in career technologies monies and $2,775,000 in State poverty based assistance monies for a total restricted grants-in-aid amount of $3,155,000.

Restricted Federal Grants-in-Aid

In 2010, Congress passed, and the President signed, legislation that provides $10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant was to be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The School District received $830,000 in fiscal year 2012, and $133,000 in fiscal year 2013. The School District chose to use these funds for salaries and benefits for teachers. The Education Jobs grant has not been reauthorized by the Federal government.

Property Tax Allocation

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent and the two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 has adjusted the Homestead Exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed $30,000. These changes reduce reimbursements from the State and increase real property tax revenue.

From 2005 to 2011, State law phased out taxes levied by school districts on business personal property. The State's original intent was to compensate school districts for resulting tax losses in full until fiscal year 2013, when payments themselves were to begin to be phased out.

House Bill 153 signed in June 2011 accelerated the phase out during fiscal year 2012-2013 biennium and to pay reimbursements after the biennium at the reduced level paid at the end of fiscal year 2013. The new phase out is scaled according to a school district's reliance on those reimbursements as a percentage of a school district's total budget. For the School District, the funding was 5.78 percent of the total, and the funding is forecast to continue at a set amount for fiscal year 2015.

In 2012, House Bill 508 went into effect. It provides technical changes to the formula used to calculate fixed rate losses pertaining to business personal property tax expense levies.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecasted Fiscal Year 2015	Variance
Homestead and Rollback	$2,323,000	$2,079,000	$1,950,000	$2,082,000	$132,000
Tangible Personal Property Loss Reimbursement	2,393,000	1,366,000	1,372,000	1,372,000	0
Totals	$4,716,000	$3,445,000	$3,322,000	$3,454,000	$132,000

All Other Revenues

All other revenues include tuition, transportation, interest, rentals, conversion academy revenue, reimbursements and other revenue.

Open enrollment tuition revenue is expected to decrease in fiscal year 2015. Other tuition includes regular day school for court order students, summer school, preschool, and special education and is expected to decrease from fiscal year 2014. This decrease is mainly due to the School District's no longer offering typical preschool units and having fewer special education students.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is expected to increase from the prior fiscal year due to the investment of slightly higher cash balances.

Revenue from rentals is forecast to decrease in fiscal year 2015 mainly due to the closure of the School District's Springmill Learning Center, which had been a source of rental income from other area school districts that used the Center.

The School District used to sponsor several conversion academies, including the Enhancement Academy, the Interactive Media and Construction Academy (IMAC), and the Elective Academy. The School District is not sponsoring these conversion academies during fiscal year 2015. Because the receipt of remaining reimbursements due to the School District for services provided these academy students prior to fiscal year 2015 is uncertain, no revenue is forecasted from these academies in fiscal year 2015.

Medicaid reimbursements are expected to be lower than the prior year due to less service categories qualifying for reimbursement. E-rate revenue is expected to be higher than in fiscal year 2014 based on historical data and the amount of the reimbursement for which the School District has applied. The amount of E-rate revenue varies based on the amount of qualifying technology purchases made by the School District each year that are approved for reimbursement.

Adjustments and refunds of prior year expenditures (RPYE) revenue includes reimbursements from the School Employees Retirement System in fiscal years 2013, 2014, and 2015 due to overpayments of pension in a prior fiscal year and Bureau of Workers' Compensation refunds in fiscal years 2014 and 2015. Adjustments and refunds of prior year expenditures revenue is anticipated to increase in fiscal year 2015 mainly due to a larger School Employees Retirement System reimbursement in fiscal year 2015.

All other revenues consist of the following:

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecasted Fiscal Year 2015	Variance Increase (Decrease)
Open Enrollment Tuition	$625,000	$670,000	$702,000	$624,000	($78,000)
Other Tuition	365,000	500,000	446,000	320,000	(126,000)
Transportation	61,000	64,000	49,000	58,000	9,000
Interest	162,000	123,000	10,000	16,000	6,000
Rentals	14,000	28,000	30,000	6,000	(24,000)
Donations	29,000	24,000	20,000	25,000	5,000
Property Tax Abatements	194,000	188,000	228,000	203,000	(25,000)
Academy Receipts	55,000	41,000	50,000	0	(50,000)
Enhancement Academy	306,000	329,000	148,000	0	(148,000)
Interactive Media and Construction	292,000	299,000	156,000	0	(156,000)
Elective Academy	256,000	250,000	82,000	0	(82,000)
Sale of Asset	21,000	11,000	13,000	11,000	(2,000)
Medicaid Reimbursements	67,000	75,000	347,000	211,000	(136,000)
E-Rate	716,000	136,000	145,000	332,000	187,000
Adjustments and RPYE	224,000	160,000	317,000	482,000	165,000
Other	149,000	106,000	138,000	131,000	(7,000)
Totals	$3,536,000	$3,004,000	$2,881,000	$2,419,000	($462,000)

Other Financing Sources

Sale of Anticipation Notes – In fiscal year 2013, the sale of anticipation notes provided $2,500,000. No additional notes are planned for fiscal year 2015.

Solvency Assistance Advance – In fiscal year 2014, a solvency assistance advance provided $3,685,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301.93-03 of the Ohio Administrative Code. The advance is being repaid from State foundation revenues. The $1,843,000 repayment will begin in fiscal year 2015 and continue through 2016.

Transfers In – During fiscal year 2013, a transfer of $3,400,000 was made from the permanent improvement fund to the general fund. Additional transfers are not anticipated for fiscal year 2015.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. Most employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

Staffing levels for the past three fiscal years and the current fiscal year are displayed in the chart below. Staffing levels are anticipated to decrease in fiscal year 2015 because of retirements and a reduction in staff.

	2012	2013	2014	2015
General Fund:				
Certified	349	389	342	310
Classified	170	173	155	130
Total General Fund	519	562	497	439
Other Funds				
Certified	75	46	60	34
Classified	76	64	79	62
Total Other Funds	151	110	138	97
Totals	670	672	635	536

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract currently being followed covered the period from July 1, 2010, through June 30, 2014, and allowed for no increase in base salaries. The contract allowed for step increases ranging from 0.75 to 6.5 percent. Negotiations for a new contract are currently in progress and employees will work under the old contract until a new one is in place. Certified salaries are forecasted to decrease in fiscal year 2015 due to retirements and large reductions in staffing levels.

Classified salaries are based on two negotiated contracts which include step increases. The contracts being followed covered fiscal years 2012 through 2014. The contracts allowed for no increase in the base salary for the fiscal years and step increases ranging from 0.17 to 7.97 percent for the fiscal years of the contracts. Negotiations for a new contract are currently in progress and employees will work under the old contract until a new one is in place. Classified salaries are expected to decrease in fiscal year 2015 due to reductions in staffing levels.

In fiscal year 2015, substitute salaries are expected to decrease for certified staff due to having fewer positions to cover with the overall reduction in staff. Substitute salaries are expected to increase for classified staff based on trends in the need for classified substitutes at the time of the forecast.

Supplementals are anticipated to decrease from the prior fiscal year due to having fewer certified staff to fill various positions.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. 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 47 days at their per diem rate. Certified employees receive 26 percent 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 percent of their accumulated unused sick leave. The severance forecasted for fiscal year 2015 is based on severance already paid in fiscal year 2015 and projected severance payments for staff that have notified the School District of retirement in fiscal year 2015. Based on known information at the time of the forecast, fiscal year 2015 is slightly lower than, but still in line with the prior fiscal year, due to changes in retirement qualifications coming for the retirement systems.

The following table is a comparison of salaries and wages for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
Certified Salaries	$20,204,000	$19,694,000	$19,846,000	$16,855,000	($2,991,000)
Classified Salaries	4,754,000	4,524,000	4,473,000	3,599,000	(874,000)
Substitute Salaries	853,000	919,000	821,000	706,000	(115,000)
Supplemental Salaries	537,000	464,000	559,000	474,000	(85,000)
Severance Pay	99,000	256,000	514,000	465,000	(49,000)
Other Salaries and Wages	8,000	9,000	9,000	9,000	0
Totals	$26,455,000	$25,866,000	$26,222,000	$22,108,000	($4,114,000)

Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. Even though the School District pays the employee retirement contributions for 13 certified employees and 23 classified employees, retirement costs are anticipated to decrease significantly due to employee retirements and reductions in staff made by the School District.

In years past, SERS has been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one was for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. The School District decided to spread the six month SERS arrearage amount over the next six fiscal years adding this to the current payment. The School District had a total arrearage liability of $527,676, with annual payments of $87,946.

Health care and dental insurance rates are fixed by the Board of Education on a yearly basis, from April to March. The monthly payments, per individual, for health care benefits are as follows:

Coverage:	Effective January 1, 2011	Effective April 20, 2012	Effective January 1, 2015
Family	$1,043.00	$1,130.00	$1,630.00
Single	430.00	466.00	716.00

The self-insured healthcare program includes hospital/medical benefits. Rates are based on recommended amounts from the School District's third party administrator. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. Although there have been reductions in staffing levels, a significant increase in rates effective in January, 2015 is responsible for the increase in insurance expenditures for fiscal year 2015.

The School District regularly sets aside one percent of salaries to be used to cover the Worker's Compensation bill, which is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. In fiscal year 2014, the School District paid the entire premium for calendar year 2013 in April 2014 and plans to pay the entire premium for calendar year 2014 in May of 2015. The workers' compensation amount for fiscal year 2015 is forecasted to decrease from the prior fiscal year due to decreased salaries.

Medicare is based on a percentage of wages and is estimated to decrease in fiscal year 2015 based on a decrease in salaries. Unemployment is forecast to increase due to a significant number of employees leaving the School District and applying for unemployment benefits in fiscal year 2015 compared to fiscal year 2014. Tuition reimbursement is forecasted based on the amount of reimbursement allowed under the negotiated agreements.

Presented below is a comparison of benefits for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
Employer's Retirement	$4,198,000	$4,525,000	$4,136,000	$3,790,000	($346,000)
Health Care/Life Insurance	6,297,000	6,761,000	6,489,000	6,798,000	309,000
Workers' Compensation	212,000	206,000	191,000	171,000	(20,000)
Medicare	338,000	344,000	347,000	314,000	(33,000)
Unemployment	94,000	21,000	34,000	271,000	237,000
Tuition Reimbursement	50,000	46,000	25,000	50,000	25,000
Totals	$11,189,000	$11,903,000	$11,222,000	$11,394,000	$172,000

Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
Professional and Technical Services	$742,000	$900,000	$1,870,000	$2,077,000	$207,000
Property Services	99,000	136,000	202,000	225,000	23,000
Travel and Meeting Expenses	58,000	93,000	23,000	30,000	7,000
Communication Costs	224,000	207,000	228,000	368,000	140,000
Utility Services	1,334,000	1,026,000	835,000	1,068,000	233,000
Printing	26,000	29,000	31,000	49,000	18,000
Tuition Payments	874,000	503,000	738,000	711,000	(27,000)
Open Enrollment	1,642,000	1,765,000	2,207,000	2,078,000	(129,000)
Community School	6,801,000	7,372,000	7,946,000	6,376,000	(1,570,000)
Post Secondary	1,953,000	2,182,000	1,855,000	1,967,000	112,000
Special Education	53,000	77,000	10,000	104,000	94,000
Excess Costs	425,000	520,000	853,000	812,000	(41,000)
Other Purchased Services	225,000	208,000	70,000	62,000	(8,000)
Totals	$14,456,000	$15,018,000	$16,868,000	$15,927,000	($941,000)

Professional and technical services are expected to increase in fiscal year 2015 from fiscal year 2014 due to legal costs due to negotiations with employees. Communication costs are on the rise due to increased internet access costs associated with switching providers. Utility services are expected to increase in fiscal year 2015 from fiscal year 2014 due to increased natural gas costs.

The School District is anticipating decreases in open enrollment and community school enrollment based upon the latest information from the Ohio Department of Education. Post secondary and special education costs are forecasted to increase due to more students using these programs. The costs associated with these increases are the cause of increased tuition, open enrollment and community school expenditures forecasted.

Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Forecast Fiscal Year 2015	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	$353,000	$359,000	$277,000	$346,000	$69,000
Operations, Maintenance and Repair	527,000	467,000	449,000	502,000	53,000
Textbooks	35,000	7,000	1,000	32,000	31,000
Totals	$915,000	$833,000	$727,000	$880,000	$153,000

General supplies, library books, and periodicals are expected to increase in fiscal year 2015 due to the replenishment of instructional and testing supplies, as in fiscal year 2014 purchases were kept to a minimum. Operations, maintenance and repairs are expected to increase in fiscal year 2015 due to replacement of vehicle parts on the School District's aging fleet of busses. Textbooks are being purchased after several years of not purchasing many.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2015, the School District is forecasting approximately $376,000 in equipment expenditures, which are mainly related to computer and other technological equipment that were purchased from the general fund in order to be eligible for e-rate reimbursement. The School District has a permanent improvement fund which it uses to make most capital expenditures, which are limited to bus purchases and necessary repair and maintenance costs related to maintaining all buildings in current use within the School District. The School District has tried to limit capital purchases from the general fund and plans to continue to use the permanent improvement fund for a majority of capital related purchases.

Debt Service

Debt service payments in the General Fund are related to principal and interest on Energy Conservation Notes and Tax Anticipation Notes and the repayment of the solvency assistance advance. In fiscal year 2015, the School District expects to repay $1,843,000 of the advance and pay principal in the amount of $650,000 and interest in the amount of $146,000 in accordance with the corresponding debt amortization schedules. Of the total principal, $175,000 is for the Energy Conservation Notes and $475,000 is for the Tax Anticipation Notes.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of $653,000 for fiscal year 2015, which is slightly higher than the prior fiscal year. The primary reason for this increase is higher County Auditor and Treasurer fees related to increased property tax collections.

Operating Transfers and Advances Out

In prior fiscal years, transfers were made to the self-insurance fund. In fiscal year 2015, no transfers or advances out are anticipated.

Note 8 – Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditures at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended 2015 are expected to be $488,000.

Note 9 – Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the acquisition and construction capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The set-aside amount is approximately $597,000 for fiscal year 2015. Annual offsets are anticipated from the permanent improvement and classroom facilities maintenance levies. These offsets exceed the required set-aside amount in fiscal year 2015; therefore, no reserve amount is anticipated for the forecast period.

Note 10 – Pending Litigation

The School District is a party to legal proceedings. Management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 11 – Levies

Since 2005, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
November 9, 2005	Emergency	$4,100,000	5 Years	Failed
May 2, 2006	Emergency	6,350,000	5 Years	Failed
May 8, 2007	Emergency	4,000,000	5 Years	Failed
November 6, 2007	Emergency (Renewal)	4,000,000	5 Years	Passed
March 4, 2008	Emergency (Renewal)	3,900,000	5 Years	Passed
November 6, 2012	Emergency (Renewal)	4,000,000	5 Years	Failed
May 7, 2013	Emergency (Renewal)	3,900,000	5 Years	Passed
November 5, 2013	Emergency	4,000,000	5 Years	Passed

Note 12 - Employee Benefits Self-Insurance Fund

The School District provides hospital/medical benefits through a self-insurance program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of $150,000 per person, per fiscal year. The School District anticipates the costs of claims to decrease in fiscal year 2015, based on the lower number of employees as compared to prior fiscal years. However, the School District increased the premiums during the forecast period in order to build up a reserve and it is anticipated these premiums will be more than sufficient to cover the claims and administrative costs. The third-party administrator recommends that the School District maintain a reserve in the internal service fund of approximately $648,000 and the School District anticipates a reserve of $1,058,000 at the end of fiscal year 2015.

Note 13 - Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 14 – Financial Planning and Supervision Commission

On December 17, 2013, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Mayor of the City of Mansfield. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The initial financial recovery plan was adopted April 22, 2014, and under State law is to be updated annually. This plan included reducing staff by 148 employees, closing Newman Elementary and the conversion community schools, and no longer offering typical preschool. As of the date of this forecast, these changes have all been made; however, staff reductions have been adjusted due to higher than originally anticipated student levels.

Note 15 – Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results.

The plan filed with the Ohio Department of Education in November 2014 covered fiscal years 2015 through 2019 and assumes the continued operation of the School District with an increase in revenues due to the passage of an emergency levy in November 2013. The plan assumes significant staff changes for fiscal year 2015, as many positions were eliminated to provide a savings to the School District. At that time, the School District anticipated a surplus of $2,727,000 for fiscal year 2015 and an accumulated surplus of $13,827,000 by the end of fiscal year 2019. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2015 and will cover fiscal years 2015 through 2019, reflecting any changes in assumptions.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.

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Dave Yost • Auditor of State

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
MAY 7, 2015

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