

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

JAMES A. LEHMANN, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Mansfield City School District
P.O. Box 1448
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the Mansfield City School District, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 2, 2010

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**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Mansfield City School District
124 North Linden Road
Mansfield, Ohio 44906

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Mansfield City School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Mansfield City School District'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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming that the District will continue as a going concern. The Auditor of State declared the District to be in Fiscal Watch status on December 8, 2006 because the District was unable to submit an acceptable written proposal to the Ohio Department of Education correcting potential budget deficits. The District has failed to submit an acceptable written proposal required by Section 3316.031(c) of the Ohio Revised Code for correcting the conditions that prompted the declaration of fiscal caution and eventually fiscal watch. These matters raise substantial doubt about the District's ability to continue as a going concern. These matters are further described in Note 17 to the basic financial statements. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Independent Auditor's Report
Mansfield City School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2010, on our consideration of Mansfield City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mansfield City School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Mansfield City School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
February 2, 2010

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Mansfield City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$1,268,657 which represents a 1.99% decrease from 2008.
- General revenues accounted for \$49,076,522 in revenue or 71.86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$19,218,314 or 28.14% of total revenues of \$68,294,836.
- The District had \$69,563,493 in expenses related to governmental activities; only \$19,218,314 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$49,076,522 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$51,281,733 in revenues and other financing sources and \$50,902,393 in expenditures. During fiscal year 2009, the general funds fund balance, increased \$379,340 from a deficit balance of \$1,252,380 to a deficit of \$873,040.
- The debt service fund had \$1,477,643 in revenues and \$1,925,902 in expenditures. The debt service fund's fund balance decreased \$448,259 from \$10,399,463 to \$9,951,204.

Using the Basic Financial Statements

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities 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 District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

The District's statement of net assets and statement of activities can be found on pages 13-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for a self-insurance program for employee health benefits. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-69 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
<u>Assets</u>		
Current and other assets	\$ 46,998,083	\$ 47,730,882
Capital assets, net	<u>56,375,002</u>	<u>57,660,606</u>
Total assets	<u>103,373,085</u>	<u>105,391,488</u>
<u>Liabilities</u>		
Current liabilities	22,641,783	22,432,754
Long-term liabilities	<u>18,307,788</u>	<u>19,266,563</u>
Total liabilities	<u>40,949,571</u>	<u>41,699,317</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	41,659,777	41,845,804
Restricted	19,135,495	20,507,539
Unrestricted	<u>1,628,242</u>	<u>1,338,828</u>
Total net assets	<u>\$ 62,423,514</u>	<u>\$ 63,692,171</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$62,423,514.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At year-end, capital assets represented 54.54% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$41,659,777. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$19,135,495, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$1,628,242.

Governmental Activities



The table below shows the change in net assets for fiscal year 2009 and 2008.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,670,853	\$ 3,237,164
Operating grants and contributions	16,489,764	15,301,939
Capital grants and contributions	57,697	27,754
General revenues:		
Property taxes	20,191,226	21,049,058
Grants and entitlements	27,947,576	26,863,911
Investment earnings	533,509	739,165
Other	404,211	729,090
Total revenues	\$ 68,294,836	\$ 67,948,081

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 19,989,890	\$ 20,553,474
Special	7,554,146	6,826,514
Vocational	1,537,195	1,429,530
Adult	282,637	243,415
Other	11,317,209	9,841,133
Support services:		
Pupil	3,581,498	2,744,334
Instructional staff	2,874,475	3,142,467
Board of education	26,558	17,688
Administration	4,182,766	2,965,716
Fiscal	1,158,849	1,016,690
Business	1,552,428	1,362,884
Operations and maintenance	5,556,082	5,430,091
Pupil transportation	2,128,268	1,856,838
Central	2,012,513	1,031,254
Food service operations	2,234,997	2,073,818
Operations of non-instructional services	2,009,458	761,998
Extracurricular activities	820,869	1,535,079
Interest and fiscal charges	<u>743,655</u>	<u>791,317</u>
Total expenses	<u>69,563,493</u>	<u>63,624,240</u>
Special item:		
Gain on sale of capital assets	<u>-</u>	<u>996,726</u>
Change in net assets	(1,268,657)	5,320,567
Net assets at beginning of year	<u>63,692,171</u>	<u>58,371,604</u>
Net assets at end of year	<u>\$ 62,423,514</u>	<u>\$ 63,692,171</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,268,657. Total governmental expenses of \$69,563,493 were offset by program revenues of \$19,218,314 and general revenues of \$49,076,522. Program revenues supported 27.63% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 70.49% of total governmental revenue. The increase in property taxes is due to the passage of an operating levy.

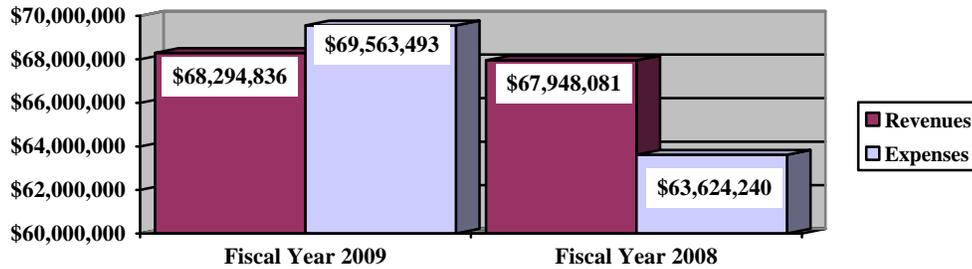
The largest expense of the District is for instructional programs. Instruction expenses totaled \$40,681,077 or 58.48% of total governmental expenses for fiscal year 2009.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

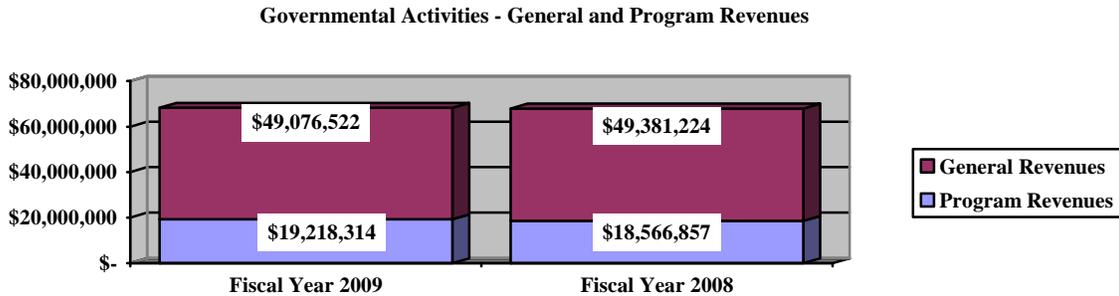
	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program expenses				
Instruction:				
Regular	\$ 19,989,890	\$ 13,526,503	\$ 20,553,474	\$ 14,478,423
Special	7,554,146	2,409,482	6,826,514	2,508,293
Vocational	1,537,195	959,285	1,429,530	627,389
Adult	282,637	(15,297)	243,415	(18,627)
Other	11,317,209	11,103,174	9,841,133	8,882,683
Support services:				
Pupil	3,581,498	3,374,591	2,744,334	2,641,062
Instructional staff	2,874,475	1,569,727	3,142,467	1,228,467
Board of education	26,558	26,558	17,688	17,688
Administration	4,182,766	3,549,628	2,965,716	2,484,581
Fiscal	1,158,849	1,081,135	1,016,690	949,116
Business	1,552,428	1,286,332	1,362,884	1,362,884
Operations and maintenance	5,556,082	5,541,427	5,430,091	5,404,719
Pupil transportation	2,128,268	1,688,670	1,856,838	1,485,778
Central	2,012,513	1,544,107	1,031,254	982,826
Food service operations	2,234,997	8,523	2,073,818	(156,959)
Operations of non-instructional services	2,009,458	1,396,909	761,998	134,244
Extracurricular activities	820,869	550,770	1,535,079	1,253,499
Interest and fiscal charges	743,655	743,655	791,317	791,317
Total expenses	<u>\$ 69,563,493</u>	<u>\$ 50,345,179</u>	<u>\$ 63,624,240</u>	<u>\$ 45,057,383</u>

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The dependence upon tax and other general revenues for governmental activities is apparent, 68.79% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.37%. The District's taxpayers and unrestricted grants and entitlements from the State, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$17,755,741, which is lower than last year's total of \$18,457,061. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance (deficit) <u>June 30, 2009</u>	Fund Balance (deficit) <u>June 30, 2008</u>	Increase (Decrease)
General	\$ (873,040)	\$ (1,252,380)	\$ 379,340
Debt Service	9,951,204	10,399,463	(448,259)
Other Governmental	<u>8,677,577</u>	<u>9,309,978</u>	<u>(632,401)</u>
Total	<u>\$17,755,741</u>	<u>\$ 18,457,061</u>	<u>\$ (701,320)</u>

General Fund

The District's general fund balance increased \$379,340. The increase in fund balance is due to cuts in spending, including staff reduction and building closures along with the passage of an operating levy. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2009 <u>Amount</u>	2008 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 18,356,787	\$17,926,701	2.40 %
Tuition	678,034	837,937	(19.08) %
Earnings on investments	500,882	660,640	(24.18) %
Intergovernmental	30,294,945	29,039,842	4.32 %
Other revenues	<u>1,442,018</u>	<u>1,949,223</u>	(26.02) %
Total	<u>\$ 51,272,666</u>	<u>\$50,414,343</u>	1.70 %
<u>Expenditures</u>			
Instruction	\$ 31,030,074	\$29,563,388	4.96 %
Support services	18,142,323	15,479,518	17.20 %
Operation of non-instructional services	1,268,129	912,473	38.98 %
Extracurricular activities	<u>461,867</u>	<u>386,047</u>	19.64 %
Total	<u>\$ 50,902,393</u>	<u>\$46,341,426</u>	9.84 %

The increase in taxes is primarily due to the passage of an operating levy which provided new funds to the District. The decrease in tuition is due to a decline in open enrollment. The decrease in interest revenue is due to a decrease in interest rates on the District's investments. The increase in expenditures is primarily due to the increases in the costs of wages and benefits.

General Fund Budgeting Highlights

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

The District did not amend the budgeted revenues for the general fund. For the general fund, original and final budgeted revenues and other financing sources were \$55,412,144. The actual revenues and other financing sources for fiscal year 2009 totaled \$51,621,287, which were \$3,790,857 lower than the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) were \$49,846,919. The final appropriations were \$51,199,849. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$51,080,688, which was \$119,161 lower than the final budgeted appropriations.

Debt Service Fund

The debt service fund balance decreased \$448,259 during the course of fiscal year 2009. The debt service fund had revenues of \$1,477,643 and expenses of \$1,925,902. This decrease is a result of debt payments exceeding tax revenues during fiscal year 2009.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$56,375,002 invested in land, land improvements, buildings and improvements, furniture and equipment vehicles and textbooks. This entire amount is reported in governmental activities.

The following table shows fiscal year 2009 balances compared to 2008:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 5,135,808	\$ 5,135,808
Land improvements	1,680,916	1,708,229
Building and improvements	47,187,804	47,841,444
Furniture and equipment	1,547,303	1,803,302
Vehicles	344,088	561,960
Textbooks	<u>479,083</u>	<u>609,863</u>
Total	<u>\$56,375,002</u>	<u>\$57,660,606</u>

The overall decrease in capital assets of \$1,285,604 is due to depreciation expense of \$2,254,516 and disposals of \$14,002 (net of accumulated depreciation) exceeding capital outlay of \$982,914 in the fiscal year.

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

Debt Administration

At June 30, 2009, the District had \$14,890,677 in general obligation bonds. Of this total, \$1,232,225 is due within one year and \$13,658,452 is due in greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
General obligation bonds - 1999	\$ 79,802	\$ 159,802
General obligation bonds - 2000	1,000,000	2,000,000
General obligation bonds - 2007	<u>13,810,875</u>	<u>13,882,270</u>
Total	<u>\$ 14,890,677</u>	<u>\$ 16,042,072</u>

At June 30, 2009, the District's overall legal debt margin was \$35,476,717 with an unvoted debt margin of \$445,170.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

See Note 9 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

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

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 29.56% of revenues for governmental activities for the District in fiscal year 2009.

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

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact James Lehmann, Treasurer, Mansfield City School District, 124 North Linden Road, Mansfield, Ohio 44906.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government	Component Units		
	Governmental Activities	Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy
Assets:				
Equity in pooled cash and investments.	\$ 21,267,167	\$ 357,588	\$ 531,939	\$ 170,012
Receivables:				
Taxes	24,433,376	-	-	-
Accounts	39,523	-	-	-
Intergovernmental.	875,505	75,795	6,672	6,187
Accrued interest	32,095	-	-	-
Prepayments	24,871	2,432	2,404	942
Materials and supplies inventory	150,122	-	-	-
Unamortized bond issue costs.	175,424	-	-	-
Capital assets:				
Land	5,135,808	-	-	-
Depreciable capital assets, net.	51,239,194	4,857	25,693	10,151
Capital assets, net.	<u>56,375,002</u>	<u>4,857</u>	<u>25,693</u>	<u>10,151</u>
Total assets.	<u>103,373,085</u>	<u>440,672</u>	<u>566,708</u>	<u>187,292</u>
Liabilities:				
Accounts payable.	46,118	53,125	94,600	2,120
Contracts payable.	51,091	-	-	-
Accrued wages and benefits	4,863,271	-	-	-
Pension obligation payable.	1,087,495	-	-	-
Intergovernmental payable	439,978	-	464	11,783
Accrued interest payable	46,924	-	-	-
Claims payable	711,000	-	-	-
Unearned revenue	15,395,906	-	-	-
Long-term liabilities:				
Due within one year.	1,675,360	-	-	-
Due in more than one year.	16,632,428	-	-	-
Total liabilities	<u>40,949,571</u>	<u>53,125</u>	<u>95,064</u>	<u>13,903</u>
Net Assets:				
Invested in capital assets, net of related debt.	41,659,777	4,857	25,693	10,151
Restricted for:				
Capital projects	6,332,035	-	-	-
Debt service.	10,120,707	-	-	-
Classroom facilities maintenance.	2,005,450	-	-	-
Locally funded programs	39,716	-	-	-
State funded programs	80,519	-	600	-
Federally funded programs	264,022	30,664	-	5,094
Student activities	7,238	-	-	-
Public school support	136,984	-	-	566
Other purposes	148,824	-	-	-
Unrestricted.	<u>1,628,242</u>	<u>352,026</u>	<u>445,351</u>	<u>157,578</u>
Total net assets	<u>\$ 62,423,514</u>	<u>\$ 387,547</u>	<u>\$ 471,644</u>	<u>\$ 173,389</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 19,989,890	\$ 1,726,719	\$ 4,736,668	\$ -
Special	7,554,146	79,290	5,065,374	-
Vocational	1,537,195	-	577,910	-
Adult.	282,637	97,699	200,235	-
Other	11,317,209	-	214,035	-
Support services:				
Pupil.	3,581,498	1,801	205,106	-
Instructional staff	2,874,475	-	1,304,748	-
Board of education	26,558	-	-	-
Administration.	4,182,766	-	633,138	-
Fiscal.	1,158,849	-	77,714	-
Business.	1,552,428	-	266,096	-
Operations and maintenance	5,556,082	5,645	9,010	-
Pupil transportation.	2,128,268	93,783	288,118	57,697
Central	2,012,513	-	468,406	-
Operation of non-instructional services:				
Food service operations	2,234,997	399,632	1,826,842	-
Other non-instructional services	2,009,458	-	612,549	-
Extracurricular activities.	820,869	266,284	3,815	-
Interest and fiscal charges	743,655	-	-	-
Total governmental activities	<u>\$ 69,563,493</u>	<u>\$ 2,670,853</u>	<u>\$ 16,489,764</u>	<u>\$ 57,697</u>
Component Units:				
Mansfield Enhancement Academy.	\$ 566,724	\$ -	\$ 551,510	\$ -
Interactive Media and Construction, Inc.	701,710	-	566,307	-
Mansfield Elective Academy.	469,061	-	251,247	-
Totals	<u>\$ 1,737,495</u>	<u>\$ -</u>	<u>\$ 1,369,064</u>	<u>\$ -</u>

General Revenues:
Property taxes levied for:
 General purposes
 Special revenue
 Debt service.
 Capital projects
Grants and entitlements not restricted
to specific programs.
Investment earnings
Miscellaneous
Total general revenues.
Change in net assets
Net assets at beginning of year.
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government		Component Units		
Governmental Activities	Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy	
\$ (13,526,503)	\$ -	\$ -	\$ -	\$ -
(2,409,482)	-	-	-	-
(959,285)	-	-	-	-
15,297	-	-	-	-
(11,103,174)	-	-	-	-
(3,374,591)	-	-	-	-
(1,569,727)	-	-	-	-
(26,558)	-	-	-	-
(3,549,628)	-	-	-	-
(1,081,135)	-	-	-	-
(1,286,332)	-	-	-	-
(5,541,427)	-	-	-	-
(1,688,670)	-	-	-	-
(1,544,107)	-	-	-	-
(8,523)	-	-	-	-
(1,396,909)	-	-	-	-
(550,770)	-	-	-	-
(743,655)	-	-	-	-
(50,345,179)	-	-	-	-
-	(15,214)	-	-	-
-	-	(135,403)	-	-
-	-	-	(217,814)	-
-	(15,214)	(135,403)	(217,814)	-
18,475,788	-	-	-	-
171,794	-	-	-	-
685,809	-	-	-	-
857,835	-	-	-	-
27,947,576	106,568	147,508	39,084	
533,509	4,594	5,889	2,167	
404,211	-	-	650	
49,076,522	111,162	153,397	41,901	
(1,268,657)	95,948	17,994	(175,913)	
63,692,171	291,599	453,650	349,302	
\$ 62,423,514	\$ 387,547	\$ 471,644	\$ 173,389	

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 148,943	\$ 9,810,765	\$ 10,061,925	\$ 20,021,633
Receivables:				
Taxes	22,094,386	964,811	1,374,179	24,433,376
Accounts	29,904	-	7,043	36,947
Intergovernmental	809,407	-	66,098	875,505
Accrued interest	32,095	-	-	32,095
Interfund receivable	15,000	-	-	15,000
Prepayments	24,871	-	-	24,871
Materials and supplies inventory	103,218	-	46,904	150,122
Restricted assets:				
Equity in pooled cash and cash equivalents	148,824	-	-	148,824
Total assets	<u>\$ 23,406,648</u>	<u>\$ 10,775,576</u>	<u>\$ 11,556,149</u>	<u>\$ 45,738,373</u>
Liabilities:				
Accounts payable	\$ 1,797	\$ -	\$ 44,321	\$ 46,118
Contracts payable	-	-	51,091	51,091
Accrued wages and benefits	3,699,630	-	1,163,641	4,863,271
Compensated absences payable	57,288	-	-	57,288
Pension obligation payable	820,154	-	267,341	1,087,495
Intergovernmental payable	342,224	-	97,754	439,978
Interfund payable	-	-	15,000	15,000
Deferred revenue	5,436,529	216,427	373,529	6,026,485
Unearned revenue	13,922,066	607,945	865,895	15,395,906
Total liabilities	<u>24,279,688</u>	<u>824,372</u>	<u>2,878,572</u>	<u>27,982,632</u>
Fund Balances:				
Reserved for encumbrances	12,169	-	889,335	901,504
Reserved for materials and supplies inventory	103,218	-	46,904	150,122
Reserved for prepayments	24,871	-	-	24,871
Reserved for property tax unavailable for appropriation	3,216,086	140,439	200,027	3,556,552
Reserved for debt service	-	9,810,765	-	9,810,765
Reserved for school bus purchase	148,824	-	-	148,824
Unreserved, undesignated (deficit) reported in:				
General fund	(4,378,208)	-	-	(4,378,208)
Special revenue funds	-	-	2,000,965	2,000,965
Capital projects funds	-	-	5,540,346	5,540,346
Total fund balances (deficit)	<u>(873,040)</u>	<u>9,951,204</u>	<u>8,677,577</u>	<u>17,755,741</u>
Total liabilities and fund balances	<u>\$ 23,406,648</u>	<u>\$ 10,775,576</u>	<u>\$ 11,556,149</u>	<u>\$ 45,738,373</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$ 17,755,741
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		56,375,002
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent taxes	\$ 5,480,918	
Intergovernmental receivables	513,472	
Accrued interest	32,095	
Total		6,026,485
Unamortized bond issuance costs are not recognized in the funds		175,424
Unamortized deferred charges are not recognized in the funds		930,121
Unamortized premiums on bond issuance are not recognized in the funds.		(1,105,544)
Accrued interest payable is not due and payable within the current period and is therefore not reported in the funds.		(46,924)
An internal service fund is used by management to charge the costs of hospital/medical insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		388,286
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(3,184,400)	
General obligation bonds payable	(14,890,677)	
Total		(18,075,077)
		\$ 62,423,514
Net assets of governmental activities		

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 18,356,787	\$ 866,019	\$ 1,042,998	\$ 20,265,804
Tuition.	678,034	-	2,095	680,129
Transportation fees	93,783	-	-	93,783
Charges for services	-	-	385,379	385,379
Earnings on investments.	500,882	-	21,300	522,182
Extracurricular.	-	-	265,935	265,935
Classroom materials and fees	-	-	189,596	189,596
Rentals.	5,645	-	-	5,645
Contributions and donations.	22,650	-	7,435	30,085
Contract services.	119,273	-	2,037	121,310
Other local revenues.	1,200,667	-	189,884	1,390,551
Intergovernmental - state	30,278,901	611,624	6,027,645	36,918,170
Intergovernmental - federal	16,044	-	7,529,224	7,545,268
Total revenue	<u>51,272,666</u>	<u>1,477,643</u>	<u>15,663,528</u>	<u>68,413,837</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,465,854	-	5,377,888	18,843,742
Special.	5,026,635	-	2,257,111	7,283,746
Vocational.	1,454,279	-	90,353	1,544,632
Adult/Continuing	-	-	273,010	273,010
Other.	11,083,306	-	219,759	11,303,065
Support services:				
Pupil.	3,227,959	-	215,403	3,443,362
Instructional staff	1,512,873	-	1,353,062	2,865,935
Board of education	26,558	-	-	26,558
Administration.	3,294,195	-	658,571	3,952,766
Fiscal	999,850	25,132	104,339	1,129,321
Business	1,276,080	-	268,224	1,544,304
Operations and maintenance.	4,515,697	-	1,487,820	6,003,517
Pupil transportation	1,857,419	-	51,604	1,909,023
Central.	1,431,692	-	512,843	1,944,535
Operation of non-instructional services:				
Food service operations	-	-	2,172,780	2,172,780
Other non-instructional services.	1,268,129	-	676,568	1,944,697
Extracurricular activities.	461,867	-	324,639	786,506
Facilities acquisition and construction	-	-	251,955	251,955
Debt service:				
Principal retirement	-	1,275,000	-	1,275,000
Interest and fiscal charges	-	625,770	-	625,770
Total expenditures	<u>50,902,393</u>	<u>1,925,902</u>	<u>16,295,929</u>	<u>69,124,224</u>
Excess of revenues over (under) expenditures	<u>370,273</u>	<u>(448,259)</u>	<u>(632,401)</u>	<u>(710,387)</u>
Other financing sources:				
Sale of assets.	9,067	-	-	9,067
Total other financing sources.	<u>9,067</u>	<u>-</u>	<u>-</u>	<u>9,067</u>
Net change in fund balances	379,340	(448,259)	(632,401)	(701,320)
Fund balances (deficit) at beginning of year.	<u>(1,252,380)</u>	<u>10,399,463</u>	<u>9,309,978</u>	<u>18,457,061</u>
Fund balances (deficit) at end of year	<u>\$ (873,040)</u>	<u>\$ 9,951,204</u>	<u>\$ 8,677,577</u>	<u>\$ 17,755,741</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds	\$	(701,320)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 982,914	
Current year depreciation	<u>(2,254,516)</u>	
Total		(1,271,602)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(14,002)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(74,578)	
Interest	14,062	
Intergovernmental	<u>(58,485)</u>	
Total		(119,001)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,275,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	5,720	
Amortization of bond premium	60,030	
Amortization of bond issue costs	(9,525)	
Amortization of deferred charges on refundings	(50,505)	
Accreted interest on capital appreciation bonds	<u>(123,605)</u>	
Total		(117,885)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(194,196)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(125,651)</u>
Change in net assets of governmental activities	\$	<u><u>(1,268,657)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 20,057,320	\$ 20,057,320	\$ 18,685,158	\$ (1,372,162)
Tuition.	735,899	735,899	685,555	(50,344)
Transportation.	88,877	88,877	82,797	(6,080)
Earnings on investments.	422,249	422,249	393,362	(28,887)
Rentals.	6,060	6,060	5,645	(415)
Contributions and donations.	24,313	24,313	22,650	(1,663)
Contract services.	128,032	128,032	119,273	(8,759)
Other local revenues	1,292,152	1,292,152	1,203,753	(88,399)
Intergovernmental - state	32,377,668	32,377,668	30,162,646	(2,215,022)
Total revenue	<u>55,132,570</u>	<u>55,132,570</u>	<u>51,360,839</u>	<u>(3,771,731)</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,822,762	15,225,077	13,845,324	1,379,753
Special.	4,373,792	4,492,504	4,993,775	(501,271)
Vocational.	1,578,293	1,621,131	1,498,319	122,812
Other.	8,925,635	9,167,892	11,059,525	(1,891,633)
Support services:				
Pupil.	3,187,064	3,273,566	3,153,901	119,665
Instructional staff	1,628,125	1,672,315	1,473,654	198,661
Board of education	24,503	25,168	21,225	3,943
Administration.	3,540,285	3,636,374	3,243,131	393,243
Fiscal	1,063,593	1,092,461	1,032,990	59,471
Business	1,047,423	1,075,852	1,299,050	(223,198)
Operations and maintenance.	4,502,559	4,624,766	4,506,572	118,194
Pupil transportation	1,797,592	1,846,382	1,835,762	10,620
Central.	1,656,651	1,701,615	1,489,425	212,190
Operation of non-instructional services	1,204,032	1,236,711	1,186,276	50,435
Extracurricular activities.	494,610	508,035	441,759	66,276
Total expenditures	<u>49,846,919</u>	<u>51,199,849</u>	<u>51,080,688</u>	<u>119,161</u>
Excess of revenues over expenditures.	<u>5,285,651</u>	<u>3,932,721</u>	<u>280,151</u>	<u>(3,652,570)</u>
Other financing sources (uses):				
Refund of prior year expenditure.	269,841	269,841	251,381	(18,460)
Sale of assets.	9,733	9,733	9,067	(666)
Total other financing sources (uses)	<u>279,574</u>	<u>279,574</u>	<u>260,448</u>	<u>(19,126)</u>
Net change in fund balance	5,565,225	4,212,295	540,599	(3,671,696)
Fund balance (deficit) at beginning of year.	(697,322)	(697,322)	(697,322)	-
Prior year encumbrances appropriated . .	346,919	346,919	346,919	-
Fund balance at end of year	<u>\$ 5,214,822</u>	<u>\$ 3,861,892</u>	<u>\$ 190,196</u>	<u>\$ (3,671,696)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and investments	\$ 1,096,710
Receivables:	
Accounts	<u>2,576</u>
Total assets	<u>1,099,286</u>
Liabilities:	
Claims payable	<u>711,000</u>
Total liabilities	<u>711,000</u>
Net assets:	
Unrestricted	<u>388,286</u>
Total net assets	<u><u>\$ 388,286</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services	\$ 7,328,456
Total operating revenues	<u>7,328,456</u>
Operating expenses:	
Claims expense.	6,343,054
Purchased services.	<u>1,111,053</u>
Total operating expenses	<u>7,454,107</u>
Change in net assets.	(125,651)
Net assets at beginning of year.	<u>513,937</u>
Net assets at end of year	<u>\$ 388,286</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
 RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 7,326,367
Cash payments for claims expense	(6,432,054)
Cash payments for purchased services	<u>(1,111,053)</u>
Net cash used in operating activities	<u>(216,740)</u>
Net decrease in cash and cash equivalents.	<u>(216,740)</u>
Cash and investments at beginning of year.	<u>1,313,450</u>
Cash and investments at end of year.	<u><u>\$ 1,096,710</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (125,651)
Changes in assets and liabilities:	
(Increase) in accounts receivable.	(2,089)
Decrease in claims payable	<u>(89,000)</u>
Net cash used in operating activities	<u><u>\$ (216,740)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 26,525	\$ 895,543
Receivables:		
Accounts	-	3,400
Intergovernmental	-	270,060
Total assets.	26,525	\$ 1,169,003
Liabilities:		
Accounts payable.	-	\$ 42,492
Intergovernmental payable	-	1,102,912
Due to students	-	23,599
Total liabilities	-	\$ 1,169,003
Net Assets:		
Held in trust for scholarships	26,525	
Total net assets	\$ 26,525	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private - Purpose Trust</u>
	<u>Scholarship</u>
Net assets at beginning of year.	\$ 26,525
Net assets at end of year	<u>\$ 26,525</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is a city school district as defined by Section 311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2008, was 3,844. The District employs 439 certified employees, 250 non-certified employees and 30 administrators.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has three component units. The basic financial statements of the reporting entity include those of the District (the primary government) and the component units.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

DISCRETELY PRESENTED COMPONENT UNITS

The Mansfield Enhancement Academy

The Mansfield Enhancement Academy (the "Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The Academy is a conversion community school that addresses the needs of students who have met some graduation requirements, but have failed to successfully complete all requirements necessary for the attainment of the high school diploma or graduation equivalence diploma. The Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The Academy Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is the sponsoring District of the Academy. The District is able to impose its will upon the operations for the Academy, therefore, the financial activity of the Academy are presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 124 N. Linden Road, Mansfield, Ohio 44906. Information about this component unit is presented in Note 19 to the basic financial statements.

Interactive Media and Construction, Inc.

The Interactive Media and Construction, Inc. (the "IMAC") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The IMAC is a conversion community school that is designed for high school students to obtain their high school diploma through a college preparatory curriculum. The IMAC provides a challenging curriculum, community/parental support, motivation through career skills and pay for work. The IMAC is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The IMAC Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is the sponsoring District of the IMAC. The District is able to impose its will upon the operations for the IMAC, therefore the financial activity of the IMAC is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the IMAC at 124 N. Linden Road, Mansfield, Ohio 44906. Information about this component unit is presented in Note 18 to the basic financial statements.

The Mansfield Elective Academy

The Mansfield Elective Academy (the "Elective Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The Elective Academy is a conversion community school that addresses the needs to students "at-risk" in Kindergarten through the eighth grade. The mission of the Elective Academy is to provide elementary and middle school students living within a guardian family setting a comprehensive educational program that helps meet the academic, psycho-social and emotional needs of the students and offers support to their caregivers and the school community. The Elective Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The Elective Academy Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is the sponsoring District of the Elective Academy. The District is able to impose its will upon the operations for the Elective Academy, therefore, the financial activity of the Elective Academy are presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Elective Academy at 124 N. Linden Road, Mansfield, Ohio 44906. Information about this component unit is presented in Note 20 to the basic financial statements.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

JOINTLY GOVERNED ORGANIZATION

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2009, the District paid \$241,569 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid over statement of revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

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

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

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds except for State and Federal grant funds which were budgeted and appropriated at first digit fund (i.e. 400's and 500's). Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Richland County Budget Commission for rate determination.

Estimated Resources:

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2009, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, a U.S. Government money market and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$500,882. The entire amount was assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed.

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

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

H. Capital Assets

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 40 years
Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	13 years
Textbooks	5 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

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

M. Fund Balance Reserves

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

N. Prepayments

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

O. Net Assets

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

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

P. Estimates

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

Q. Restricted Assets

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

R. Interfund Activity

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

1. Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 873,040
 <u>Nonmajor governmental funds</u>	
Public school preschool	11,544
Entry year	211
Ohio Reads	31,324
Alternative education	1,145
Poverty aid	597,288
Vocational education	17,284
Title VI	3,766
Reducing class size	47,947

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

2. Noncompliance

- i.* The District is in noncompliance with Ohio Revised Code Section 3316.04 due to not updating its financial plan as required.
- ii.* 31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program Specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months of year end. In fiscal year 2007 and 2008, the District did not file their reporting packet until July 2008 and April 2009, respectively.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

- 1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the District had \$5,965 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$9,496,050, exclusive of the \$8,590,181 in repurchase agreements included in investments. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$7,823,733 of the District's bank balance of \$10,323,733 was exposed to custodial risk as discussed below, while \$2,500,000 was covered by the FDIC.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>18 to 24 months</u>	<u>Greater than 24 months</u>
FNMA	\$ 2,210,620	\$ -	\$ -	\$ -	\$ -	\$ 2,210,620
FHLB	790,715	-	-	-	99,534	691,181
FFCB	397,594	-	-	-	-	397,594
FHLMC	395,970	-	-	-	-	395,970
U.S. Government money market	300,140	300,140	-	-	-	-
Repurchase agreement	8,590,181	8,590,181	-	-	-	-
STAR Ohio	2,000	2,000	-	-	-	-
Total	<u>\$ 12,687,220</u>	<u>\$ 8,892,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,534</u>	<u>\$ 3,695,365</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 District's investment policy limits investment portfolio maturities to five years or less, unless matched to a specific obligation or debt of the District.

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$8,590,151 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 District. 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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 2,210,620	17.42
FHLB	790,715	6.23
FFCB	397,594	3.13
FHLMC	395,970	3.12
U.S. Government money market	300,140	2.37
Repurchase agreement	8,590,181	67.71
STAR Ohio	2,000	0.02
Total	<u>\$ 12,687,220</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,496,050
Investments	12,687,220
Cash on hand	<u>5,965</u>
Total	<u>\$ 22,189,235</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 21,267,167
Private-purpose trust fund	26,525
Agency funds	<u>895,543</u>
Total	<u>\$ 22,189,235</u>

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 15,000

The primary purpose of the interfund balances is to cover the costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$3,216,086 in the general fund, \$140,439 in the debt service fund, \$167,225 in the permanent improvement fund (a nonmajor governmental fund) and \$32,802 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$3,052,857 in the general fund, \$250,324 in the debt service fund, \$169,626 in the permanent improvement fund (a nonmajor governmental fund) and \$33,358 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 433,832,730	90.60	\$ 429,686,820	92.21
Public utility personal	137,470	0.03	988,071	0.21
Tangible personal property	<u>44,888,864</u>	<u>9.37</u>	<u>35,304,853</u>	<u>7.58</u>
Total	<u>\$ 478,859,064</u>	<u>100.00</u>	<u>\$ 465,979,744</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$69.25		\$68.65

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported in the statement of net assets follows:

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - RECEIVABLES - (Continued)

Governmental activities:

Taxes	\$ 24,433,376
Accounts	39,523
Intergovernmental	875,505
Accrued interest	<u>32,095</u>
Total	<u>\$ 25,380,499</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance 06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/09</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 5,135,808	\$ -	\$ -	\$ 5,135,808
Total capital assets, not being depreciated	<u>5,135,808</u>	<u>-</u>	<u>-</u>	<u>5,135,808</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,957,740	109,190	-	3,066,930
Buildings and improvements	66,822,390	811,479	-	67,633,869
Furniture and equipment	6,134,892	62,245	(12,848)	6,184,289
Vehicles	2,144,838	-	(140,020)	2,004,818
Textbooks	<u>3,043,838</u>	<u>-</u>	<u>-</u>	<u>3,043,838</u>
Total capital assets, being depreciated	<u>81,103,698</u>	<u>982,914</u>	<u>(152,868)</u>	<u>81,933,744</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,249,511)	(136,503)	-	(1,386,014)
Buildings and improvements	(18,980,946)	(1,465,119)	-	(20,446,065)
Furniture and equipment	(4,331,590)	(318,244)	12,848	(4,636,986)
Vehicles	(1,582,878)	(203,870)	126,018	(1,660,730)
Textbooks	<u>(2,433,975)</u>	<u>(130,780)</u>	<u>-</u>	<u>(2,564,755)</u>
Total accumulated depreciation	<u>(28,578,900)</u>	<u>(2,254,516)</u>	<u>138,866</u>	<u>(30,694,550)</u>
Governmental activities capital assets, net	<u>\$ 57,660,606</u>	<u>\$ (1,271,602)</u>	<u>\$ (14,002)</u>	<u>\$ 56,375,002</u>

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,095,077
Special	301,335
<u>Support services:</u>	
Pupil	101,197
Administration	177,225
Operations and maintenance	285,493
Pupil Transportation	198,881
Extracurricular activities	25,351
Other non-instructional services	22,392
Food service operations	<u>47,565</u>
Total depreciation expense	<u>\$ 2,254,516</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2009, the following changes occurred in governmental activities long term obligations:

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
General obligation bonds - 1999	\$ 159,802	\$ -	\$ (80,000)	\$ 79,802	\$ 32,225
General obligation bonds - 2000	2,000,000	-	(1,000,000)	1,000,000	1,000,000
General obligation bonds - 2005	13,882,270	123,605	(195,000)	13,810,875	200,000
Compensated absences	<u>3,039,543</u>	<u>592,535</u>	<u>(390,390)</u>	<u>3,241,688</u>	<u>443,135</u>
Total governmental activities	<u>\$ 19,081,615</u>	<u>\$ 716,140</u>	<u>\$ (1,665,390)</u>	18,132,365	<u>\$ 1,675,360</u>
Less: deferred charge on refunding				(930,121)	
Add: unamortized premium				<u>1,105,544</u>	
Total on statement of net assets				<u>\$ 18,307,788</u>	

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

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

Principal and interest requirements to retire the Series 1999 general obligation bonds outstanding at June 30, 2009 are as follows:

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2010	\$ 32,225	\$ 47,775	\$ 80,000
2011	25,747	44,253	70,000
2012	<u>21,830</u>	<u>43,170</u>	<u>65,000</u>
Total	<u>\$ 79,802</u>	<u>\$ 135,198</u>	<u>\$ 215,000</u>

- C. In 2000, the District issued \$24,295,000 in the general obligation bonds for a new high school. The bonds mature in December 2009.

Principal and interest requirements to retire the Series 2000 general obligation bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2010	\$ 1,000,000	\$ 31,250	\$ 1,031,250
Total	<u>\$ 1,000,000</u>	<u>\$ 31,250</u>	<u>\$ 1,031,250</u>

- D. On July 27, 2005, the District issued general obligation bonds to advance refund a portion of the Series 2000 current interest bonds. The issuance proceeds of \$15,342,930 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$13,915,000, and capital appreciation bonds, par value \$300,000. The capital appreciation bonds mature on December 1, 2014 and December 1, 2015 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2014 and 2015 are \$1,170,000 and \$1,115,000, respectively. Total accreted interest of \$350,875 has been included in the statement of activities.

The following is a schedule of activity for fiscal year 2009 on the 2005 series refunding bonds:

	Balance 06/30/08	Additions	Reductions	Balance 06/30/09
Current interest bonds	\$ 13,355,000	\$ -	\$ (195,000)	\$ 13,160,000
Capital appreciation bonds	300,000	-	-	300,000
Accreted interest	<u>227,270</u>	<u>123,605</u>	<u>-</u>	<u>350,875</u>
Total refunding bonds	<u>\$ 13,882,270</u>	<u>\$ 123,605</u>	<u>\$ (195,000)</u>	<u>\$ 13,810,875</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$1,127,930. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**MANSFIELD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 200,000	\$ 524,076	\$ 724,076	\$ -	\$ -	\$ -
2011	1,205,000	501,395	1,706,395	-	-	-
2012	1,195,000	462,395	1,657,395	-	-	-
2013	1,180,000	419,374	1,599,374	-	-	-
2014	1,175,000	372,275	1,547,275	-	-	-
2015 - 2019	3,155,000	1,552,787	4,707,787	300,000	1,985,000	2,285,000
2020 - 2024	4,245,000	586,731	4,831,731	-	-	-
2025 - 2028	805,000	66,618	871,618	-	-	-
Total	<u>\$ 13,160,000</u>	<u>\$ 4,485,651</u>	<u>\$ 17,645,651</u>	<u>\$ 300,000</u>	<u>\$ 1,985,000</u>	<u>\$ 2,285,000</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$35,476,717 (including available funds of \$9,951,204) and an unvoted debt margin of \$445,170.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers and classified staff earn sick leave at the rate of one and one-fourth days per month. Upon retirement, qualified classified employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 45 days at their per diem rate. Certified employees receive 26% of their accumulated unused sick leave upon retirement. If a certified employee has 200 or more days of unused sick leave at the time of retirement, the employee will receive 30% of their accumulated unused sick leave.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Insurance Benefits

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

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with Indiana Insurance Company. The deductible is \$10,000 per incident on property and \$500 per incident on equipment. All vehicles are also insured with Indiana National Insurance Company and have a \$500 deductible. All Board members, administrators and employees are covered under a school district liability policy with Indiana Insurance Company. The limits of this coverage are \$1,000,000 per claim (claims made) with a \$5,000,000 umbrella. The deductible is \$2,500 per claim. The general liability has a limit of \$1,000,000 for each occurrence and the general aggregate limit is \$2,000,000. The Board members and superintendent have a \$20,000 position bond with Travelers Casualty and Surety Insurance Company.

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

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

B. Workers' Compensation Rating Plan

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Medical Benefits

The District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2009, a total expense of \$1,111,053 was incurred in administrative costs. An excess coverage insurance policy covers individual claims in excess of \$150,000. The liability for unpaid claims of \$711,000 reported at June 30, 2009 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

Changes in the fund's claims liability amount in 2009 and 2008 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 800,000	\$ 6,343,054	\$ (6,432,054)	\$ 711,000
2008	1,027,225	6,466,467	(6,693,692)	800,000

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$613,628, \$572,363 and \$737,087, respectively; 54.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$3,399,590, \$3,269,185 and \$3,920,776, respectively; 84.91 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$34,130 made by the District and \$80,884 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$405,794, \$408,950 and \$368,890, respectively; 54.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$50,629, \$41,240 and \$50,122, respectively; 54.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$261,507, \$251,476 and \$301,598, respectively; 84.91 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 540,599
Net adjustment for revenue accruals	(88,173)
Net adjustment for expenditure accruals	165,763
Net adjustment for other sources/uses	(251,381)
Adjustment for encumbrances	12,532
GAAP basis	\$ 379,340

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The Districts is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 16 - STATUTORY RESERVES - (Continued)

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

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2008	\$ (2,017,062)	\$ -
Current year set-aside requirement	699,537	699,537
Current year offset	-	(895,898)
Qualifying disbursements	(838,372)	(440,153)
Total	\$ (2,155,897)	\$ (636,514)
Balance carried forward to fiscal year 2010	\$ (2,155,897)	\$ -

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

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases in the amount of \$148,824, which is shown as restricted assets on the fund financial statements.

NOTE 17 - GOING CONCERN ISSUE

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles which contemplates continuation of the District as a going concern. The District is required to prepare and file, with the Superintendent of the Ohio Department of Education, a 5 year forecast. On December 8, 2006, the District was declared to be in a state of "Fiscal Watch" by the Auditor of State. Effective September 1996, legislation permitted this declaration regarding declining district financial conditions. In accordance with this law, within sixty days of the Auditor's declaration of a fiscal watch, the board of education of the District has to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the District's current operating deficit and avoid future deficits.

The District is required under Ohio Revised Code Section 3316.04 to submit to the Superintendent of public instruction a financial plan delineating the steps the Board will take to eliminate the District's current operating deficit and avoid operating deficits in ensuing years, including the implementation of spending reductions. The District has not provided an updated plan in 2009 and is anticipating a deficit of approximately \$1,800,000. The District is working with the Ohio Department of Education to arrive at an acceptable plan to eliminate the projected deficits.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC.

The Interactive Media and Construction (the "IMAC") is a discretely presented component unit of the Mansfield City School District (the "District"). The District is the Sponsor of the IMAC. The IMAC issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Interactive Media and Construction, Inc. 124 North Linden Road, Mansfield, Ohio 44906.

A. Significant Accounting Policies

The basic financial statements (BFS) of IMAC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. IMAC also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. IMAC had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. IMAC elected not to apply these FASB Statements and Interpretations. IMAC's significant accounting policies are described below.

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

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

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

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

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

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

Cash - Cash held by IMAC is reflected as "cash and cash equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. IMAC had no investments. All monies received by IMAC are deposited in a demand deposit account.

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

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

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

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

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Intergovernmental Revenue - IMAC 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 Federal Title V-Innovative Programs grant, the Improving Teacher Quality grant, the Federal Title IV Drug Free Schools grant, the Title II-D Technology Grant and the Federal Start-Up grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which IMAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to IMAC on a reimbursement basis. Federal and State grant revenue for the fiscal year 2009 was \$147,508.

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

B. Deposits

At June 30, 2009, the carrying amount of IMAC's deposits was \$531,939. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$285,634 of IMAC's bank balance of \$535,634 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

C. Capital Assets

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
Capital assets, being depreciated:				
Equipment	\$ 18,695	\$ 14,607	\$ -	\$ 33,302
Less: accumulated depreciation	<u>(4,387)</u>	<u>(3,222)</u>	<u>-</u>	<u>(7,609)</u>
Capital assets	<u>\$ 14,308</u>	<u>\$ 11,385</u>	<u>\$ -</u>	<u>\$ 25,693</u>

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

D. Receivables

IMAC had the following intergovernmental receivables at June 30, 2009:

EMIS	\$ 600
Title I	4,018
Title V	96
Title IV-A	404
Title II-A	1,309
Title II-D	<u>245</u>
Total	<u>\$ 6,672</u>

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

E. Purchased Services

For the period ended June 30, 2009, purchased services expenses were as follows:

Professional and technical services	\$ 367,441
Property rental	19,434
Travel and meetings	9,714
Pupil transportation	1,502
Contracted services	5,728
Other	<u>142,529</u>
Total	<u>\$ 546,348</u>

F. Risk Management

IMAC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2009, IMAC maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. IMAC provides employee bond coverage through The Cincinnati Insurance Company in the following amounts: Treasurer \$25,000 and Board of Directors \$20,000.

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

G. Contingencies

Grants - IMAC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of IMAC at June 30, 2009.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. IMAC has not been reviewed as of June 30, 2009. IMAC does not anticipate any significant adjustments to State funding for fiscal year 2010, as a result of the reviews which have yet to be completed.

H. Service Agreement

IMAC is contracting with the Sponsor for school years 2008 through 2011. All services are to be provided on a purchased service or reimbursement basis. IMAC paid \$405,633 to the Sponsor for educational, fiscal and administrative services during fiscal year 2009.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY

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

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

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

The service contract for the fiscal year 2008-2009 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor, including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum, and educational strategy, as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's "cost of providing such services including, without limitation, employee salaries and fringe benefits, equipment costs if any, and administrative overhead". All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

A. Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

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

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

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

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

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

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

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

Cash - 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 2009, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

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

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

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. Net assets have been restricted for federally funded programs.

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

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

Intergovernmental Revenue - The Academy currently participates in the State foundation program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Federal Title V-Innovative Programs grant, the Improving Teacher Quality grant, the Federal Title IV Drug Free Schools grant, the Title II-D Technology grant and the EMIS grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2009 was \$106,568.

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

B. Deposits

At June 30, 2009, the carrying amount of all Academy deposits was \$357,588. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$117,237 of the Academy’s bank balance of \$367,237 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

C. Capital Assets

	Balance		Balance		Balance
	<u>6/30/08</u>	<u>Additions</u>	<u>Deductions</u>		<u>06/30/09</u>
Capital assets, being depreciated:					
Equipment	\$ 5,198	\$ 2,509	\$ -	\$	7,707
Less: accumulated depreciation	<u>(1,560)</u>	<u>(1,290)</u>	<u>-</u>	<u>-</u>	<u>(2,850)</u>
Capital assets, net	<u>\$ 3,638</u>	<u>\$ 1,219</u>	<u>\$ -</u>	<u>\$</u>	<u>4,857</u>

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

D. Receivables

The Academy had the following intergovernmental receivables at June 30, 2009:

Title I	\$ 74,254
Title V	64
Title VI-A	105
Title II-A	1,182
Title II-D	<u>190</u>
Total	<u>\$ 75,795</u>

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

E. Purchased Services

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Professional and technical services	\$ 453,500
Property services	28,000
Travel and meetings	32,456
Communications	3,964
Contracted trade	4,621
Other	<u>29,082</u>
Total	<u>\$ 551,623</u>

F. 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 2009, the Academy maintains comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides employee bond coverage through Cincinnati Insurance in the following amounts: Treasurer \$25,000 and Board of Directors \$20,000.

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

G. Contingencies

Grants - The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

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

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy has not been reviewed as of June 30, 2009. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2010, as a result of the reviews which have yet to be completed.

H. Service Agreement

The Academy is contracting with the Sponsor to manage its operations for school years 2005 through 2010. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$401,654 in fiscal year 2009 to the Sponsor for educational and administrative services.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY

The Mansfield Elective Academy (the "Elective Academy") is a discretely presented component unit of the Mansfield City School District (the "District"). The District is the Sponsor of the Elective Academy. The Elective Academy began operations on August 28, 2006. The Elective Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Mansfield Elective Academy, 124 N. Linden Road, Mansfield, Ohio 44906.

A. Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

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

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

Measurement Focus - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statements of revenues, expenses and changes in net assets 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 enterprise activities.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

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

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

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

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

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

Cash - 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 2009, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

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

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

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

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

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

Intergovernmental Revenue - The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Federal Title V-Innovative Programs grant, the Improving Teacher Quality grant, the Federal Title IV Drug Free Schools grant, the Title II-D Technology Grant, the public charter school grant and the EMIS grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2009 was \$39,084.

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

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

B. Deposits

At June 30, 2009, the carrying amount of the Academy's deposits was \$170,012. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,786 of the Academy's bank balance of \$251,786 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

C. Capital Assets

	Balance		Balance
	<u>6/30/08</u>	<u>Additions</u>	<u>06/30/09</u>
Capital assets, being depreciated:			
Equipment	\$ 16,917	\$ -	\$ 16,917
Less: accumulated depreciation	<u>(3,383)</u>	<u>(3,383)</u>	<u>(6,766)</u>
Capital assets, net	<u>\$ 13,534</u>	<u>\$ (3,383)</u>	<u>\$ 10,151</u>

D. Receivables

The Academy had the following intergovernmental receivables at June 30, 2009:

IDEA Part B	\$	645
Title I		4,010
Title II-D		310
Title V		56
Title IV-A		125
Title II-A		<u>1,041</u>
Total	<u>\$</u>	<u>6,187</u>

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

E. Purchased Services

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Professional and technical services	\$	202,635
Property rental		23,022
Travel and meetings		11,875
Communications		1,003
Contracted trade		4,500
Pupil transportation		570
Other		<u>126,205</u>
Total	<u>\$</u>	<u>369,810</u>

F. 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 2009, the Academy maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides employee bond coverage through Cincinnati Insurance Company in the following amounts: Treasurer \$25,000 and Board of Directors \$20,000.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

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

G. Contingencies

Grants - The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

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

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy has not been reviewed as of June 30, 2009. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2010, as a result of the reviews which have yet to be completed.

H. Service Agreement

The Academy is contracting 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 \$156,221 to the Sponsor for educational, fiscal and administrative services during fiscal year 2009.

I. Operating Lease - Lessee Disclosure

The Academy entered into a one year operating lease commencing September 1, 2007 and ending August 31, 2008 with the City of Mansfield for the use of classrooms and offices. This lease was renewed for an additional one year term commencing September 1, 2008 and ending August 31, 2009. This lease meets the criteria of an operating lease as defined by FASB Statement No. 13 "Accounting for Leases". The lease payment is \$1,700 per month.

SUPPLEMENTARY DATA

**MANSFIELD CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(F) PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Grant Cluster:				
(A) (D) School Breakfast Program	10.553	2009	\$ 425,212	\$ 425,212
Total School Breakfast Program			<u>425,212</u>	<u>425,212</u>
(A) (D) National School Lunch Program	10.555	2009	1,144,170	1,144,170
(A) (C) National School Lunch Program - Food Donation	10.555	2009	201,745	201,745
Total National School Lunch Program			<u>1,345,915</u>	<u>1,345,915</u>
Total U.S. Department of Agriculture and Nutrition Grant Cluste			<u>1,771,127</u>	<u>1,771,127</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(H) Adult Education State Grant Program:	84.002	2008	(10,017)	29,995
(H) Adult Education State Grant Program:	84.002	2009	272,339	237,841
(H) Adult Education State Grant Program:	84.002	2008	(3,039)	-
(H) Adult Education State Grant Program:	84.002	2009	33,193	28,564
Total Adult Education State Grant Program			<u>292,476</u>	<u>296,400</u>
(H) Title I Grants to Local Educational Agencies:	84.010	2008	(85,514)	224,611
(H) Title I Grants to Local Educational Agencies:	84.010	2009	2,594,635	2,077,490
Title I Grants to Local Educational Agencies:	84.010	2008	7,784	41,976
Title I Grants to Local Educational Agencies:	84.010	2009	209,352	165,148
(H) Title I Grants to Local Educational Agencies:	84.010	2008	(18,389)	33,218
(H) Title I Grants to Local Educational Agencies:	84.010	2009	176,123	156,330
Title I Grants to Local Educational Agencies:	84.010	2008	4,420	13,323
Title I Grants to Local Educational Agencies:	84.010	2009	48,013	37,206
Total Title I Grants to Local Educational Agencies			<u>2,936,424</u>	<u>2,749,302</u>
Special Education Grant Cluster:				
(B), (H) Special Education Grants to States	84.027	2008	(120,444)	144,660
(B), (H) Special Education Grants to States	84.027	2009	1,485,034	1,261,187
(B) Special Education Grants to States	84.027	2008	-	53,130
Total Special Education_ Grants to States			<u>1,364,590</u>	<u>1,458,977</u>
(B) Special Education Preschool Grants	84.173	2009	3,975	3,975
(B), (H) Special Education Preschool Grants	84.173	2008	(14,965)	6,117
(B), (H) Special Education Preschool Grants	84.173	2009	44,098	36,789
Total Special Education_Preschool Grants			<u>33,108</u>	<u>46,881</u>
Total Special Education Grant Cluster			<u>1,397,698</u>	<u>1,505,858</u>
Vocational Education Basic Grants to States	84.048	2008	-	3,208
Vocational Education Basic Grants to States	84.048	2009	167,204	162,969
Total Vocational Education Basic Grants to States			<u>167,204</u>	<u>166,177</u>
(H) Safe and Drug-Free Schools and Communities State Grant:	84.186	2008	(5,802)	6,730
(H) Safe and Drug-Free Schools and Communities State Grant:	84.186	2009	35,924	31,517
Total Safe and Drug-Free Schools and Communities State Grants			<u>30,122</u>	<u>38,247</u>
(H) Education for Homeless Children and Youth:	84.196	2008	(641)	-
(H) Education for Homeless Children and Youth:	84.196	2009	42,221	40,724
Total Education for Homeless Children and Youth:			<u>41,580</u>	<u>40,724</u>
Javits Gifted and Talented Students Education Grant Program	84.206	2009	3,000	-
Total Javits Gifted and Talented Students Education Grant Program			<u>3,000</u>	<u>-</u>
(G) Twenty-First Century Community Learning Center	84.287	2008	(2,397)	4,629
Twenty-First Century Community Learning Center	84.287	2009	116,107	115,489
Total Twenty-First Century Community Learning Centers:			<u>113,710</u>	<u>120,118</u>
(H) State Grants for Innovative Programs	84.298	2008	(5,502)	1,827
(H) State Grants for Innovative Programs	84.298	2009	13,583	11,212
Total State Grants for Innovative Programs			<u>8,081</u>	<u>13,039</u>
Education Technology State Grants:	84.318	2008	18,517	38,166
Education Technology State Grants:	84.318	2009	19,965	16,776
Total Education Technology State Grants			<u>38,482</u>	<u>54,942</u>

- continued

**MANSFIELD CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS
(H) Improving Teacher Quality State Grants	84.367	2008	\$ (3,478)	\$ 91,075
(H) Improving Teacher Quality State Grants	84.367	2009	733,097	692,477
Total Improving Teacher Quality State Grants			<u>729,619</u>	<u>783,552</u>
Total U.S. Department of Education			<u>5,758,396</u>	<u>5,768,359</u>
Total Federal Financial Assistance			<u>\$ 7,529,523</u>	<u>\$ 7,539,486</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs
- (B) Included as part of "Special Education Grant Cluster" in determining major programs.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (E) This schedule was prepared on the cash basis of accounting
- (F) OAKS did not assign pass-through numbers for fiscal year 2009
- (G) Monies refunded to the Ohio Department of Education due to the expiration of the period of availability
- (H) The District generally must spend Federal Assistance within 15 months of receipt (funds must be obligated by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal Assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity and transferring the amounts ODE approves between the special cost centers. During fiscal year 2009, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Adult Education State Grant Program	84.002	2008	\$ 13,056	
Adult Education State Grant Program	84.002	2009		\$ 13,056
Title I Grants to Local Educational Agencies	84.010	2008	103,903	
Title I Grants to Local Educational Agencies	84.010	2009		103,903
Special Education Grants to States	84.027	2008	120,444	
Special Education Grants to States	84.027	2009		120,444
Special Education Preschool Grants	84.173	2008	14,965	
Special Education Preschool Grants	84.173	2009		14,965
Safe and Drug-Free Schools and Communities State Grants	84.186	2008	5,802	
Safe and Drug-Free Schools and Communities State Grants	84.186	2009		5,802
Education for Homeless Children and Youth	84.196	2008	641	
Education for Homeless Children and Youth	84.196	2009		641
State Grants for Innovative Programs	84.298	2008	5,502	
State Grants for Innovative Programs	84.298	2009		5,502
Improving Teacher Quality State Grants	84.367	2008	3,478	
Improving Teacher Quality State Grants	84.367	2009		3,478
			<u>\$ 267,791</u>	<u>\$ 267,791</u>

Note 1: The Mansfield City School District has excluded federal financial assistance reported for its component unit the Interactive and Media Construction, Inc., Mansfield Elective Academy and Mansfield Enhancement Academy.



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Education
Mansfield City School District
124 North Linden Road
Mansfield, Ohio 44906

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Mansfield City School District's basic financial statements and have issued our report thereon dated February 2, 2010 in which we noted the Mansfield City School District is experiencing certain financial difficulties that raises substantial doubt about the Mansfield City School District's ability to continue as a going concern. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mansfield City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mansfield City School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Mansfield City School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mansfield City School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Mansfield City School District's financial statements that is more than inconsequential will not be prevented or detected by Mansfield City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Mansfield City School District's internal control.

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

Board of Education
Mansfield City School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mansfield City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2009-MCSD-001.

We noted certain other matters that we reported to the management of Mansfield City School District in a separate letter dated February 2, 2010.

Mansfield Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Mansfield Local School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and Board of Education of Mansfield City School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
February 2, 2010



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**Report on Compliance With Requirements Applicable to
Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

Board of Education
Mansfield City School District
124 North Linden Road
Mansfield, Ohio 44906

Compliance

We have audited the compliance of Mansfield City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. Mansfield City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mansfield City School District's management. Our responsibility is to express an opinion on Mansfield City School District's compliance based on our audit.

Mansfield City School District's basic financial statements include the operations of the Interactive Media and Construction, Inc., Mansfield Elective Academy and Mansfield Enhancement Academy, component units of Mansfield City School District. Interactive Media and Construction, Inc., received \$186,833 and expended \$221,838 in federal awards during fiscal year 2009 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Mansfield City School District for the fiscal year ended June 30, 2009. Mansfield Elective Academy received \$222,029 and expended \$240,116 in federal awards during fiscal year 2009 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Mansfield City School District for the fiscal year ended June 30, 2009. Mansfield Enhancement Academy received \$61,323 and expended \$31,977 in federal awards during fiscal year 2009 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Mansfield City School District for the fiscal year ended June 30, 2009. Our audit of federal awards, described below, did not include the operations of Interactive Media and Construction, Inc., Mansfield Elective Academy and Mansfield Enhancement Academy. These component units individually expended less than \$500,000 for the fiscal year ended June 30, 2009 and thus were not required to have an audit of their Federal Awards in accordance with *OMB Circular A-133*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mansfield City School Districts compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mansfield City School District's compliance with those requirements.

Board of Education
Mansfield City School District

In our opinion, Mansfield City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 2009-MCSD-002.

Internal Control Over Compliance

The management of Mansfield City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mansfield City School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mansfield City School District's internal control over compliance.

A control deficiency in Mansfield City School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mansfield City School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Mansfield City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Mansfield City School District's internal control.

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

Mansfield City School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Mansfield City School District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management and Board of Education of Mansfield City School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
February 2, 2010

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Nutrition Grant Cluster: National School Breakfast Program - CFDA #10.553; National School Lunch Program - CFDA #10.555; Special Education Grant Cluster: Special Education - Grants to State - CFDA #84.027 and Special Education - Preschool Grants - CFDA #84.173; Improving Teacher Quality State Grant - CFDA #84.367
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-MCSD-001

Ohio Revised Code Section 3316.04 states that if a school district is under Fiscal Watch they must submit to the Superintendent of public instruction a financial plan delineating the steps the Board will take to eliminate the District's current operating deficit and avoid incurring operating deficits in ensuing years, including the implementation of spending reductions. The Superintendent of public instruction shall evaluate the initial financial plan and either approve or disapprove it within thirty calendar days from the date of its submission. Section (C) states that the Board of Education of the school district shall submit an updated financial plan to the Superintendent, for the Superintendent's approval, every year that the District is in a state of Fiscal Watch. The form shall be submitted in a form acceptable to the Superintendent. The Superintendent shall approve or disapprove each updated plan no later than the anniversary of the date on which the first such plan was approved.

The District first filed its financial plan that was accepted by the Superintendent of public instruction on March 12, 2007. Since that date, the District has not updated the plan. The District, however, is planning on updating the plan for fiscal year 2010.

As a result of not updating the financial plan annually, the District could increase the risk of remaining under Fiscal Watch longer than originally anticipated.

We recommend the District update the financial plan of recovery annually to comply with the Ohio Revised Code. This may enable the District to be removed from Fiscal Watch in a more timely manner.

Client Response: We are currently working closely with the Ohio Department of Education to resolve this matter.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2009-MCSD-002
CFDA Title and Number	N/A
Federal Award Number/Year	2007, 2008
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The District expended \$8,773,326 and \$7,210,233, respectfully in the fiscal years ended 2007 and 2008, but did not file their reporting packet with the Federal Audit Clearinghouse until July 2008 and April 2009, respectively.

We recommend that upon completion of the annual audit, that the District ensure timely filing of all required reports to the Federal Audit Clearinghouse.

Client Response: The District has been experiencing financial distress and working with limited resources. District management will strive to be more timely in the future.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-MCSD-001	Ohio Revised Code Section 5705.36, in part, requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.	Yes	N/A
2008-MCSD-002	Ohio Revised Code Section 5705.39, in part, requires that the total appropriation from each fund should not exceed estimated resources.	Yes	N/A



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Mansfield City School District
Richland County
124 N. Linden Road
Mansfield, Ohio 44906

To the Board of Education:

Ohio Revised 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 Ohio 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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Mansfield City School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on September 22, 2009.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education of Mansfield City School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
February 2, 2010



Mary Taylor, CPA
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
APRIL 15, 2010**