



Dave Yost • Auditor of State



**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the financial statements, the District was declared to be in a state of "Fiscal Watch" by the Auditor of State on December 8, 2006. Note 19 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Additionally, as further described in Note 3 to the basic financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 13, 2012

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

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

The management's discussion and analysis of the Mansfield 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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities decreased \$2,523,268 which represents a 4.04% decrease from 2010.
- General revenues accounted for \$47,977,131 in revenue or 72.77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$17,952,162 or 27.23% of total revenues of \$65,929,293.
- The District had \$68,452,561 in expenses related to governmental activities; only \$17,952,162 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 \$47,977,131 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 \$51,802,405 in revenues and other financing sources and \$50,804,858 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$997,547 from a restated deficit balance of \$503,163 to \$494,384.
- The debt service fund had \$1,314,032 in revenues and \$1,795,495 in expenditures. The debt service fund's fund balance decreased \$481,463 from \$9,436,614 to \$8,955,151.

**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, 2011  
(UNAUDITED)

**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 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all (non-fiduciary) assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

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

***Proprietary Funds***

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

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

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

***Reporting the District's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-88 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 2011 and 2010.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 44,867,268	\$ 47,195,919
Capital assets, net	<u>53,411,630</u>	<u>55,013,131</u>
Total assets	<u>98,278,898</u>	<u>102,209,050</u>
<b><u>Liabilities</u></b>		
Current liabilities	22,079,640	22,434,163
Long-term liabilities	<u>16,325,831</u>	<u>17,378,192</u>
Total liabilities	<u>38,405,471</u>	<u>39,812,355</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	41,178,429	41,539,657
Restricted	17,655,289	19,597,652
Unrestricted	<u>1,039,709</u>	<u>1,259,386</u>
Total net assets	<u>\$ 59,873,427</u>	<u>\$ 62,396,695</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$59,873,427.

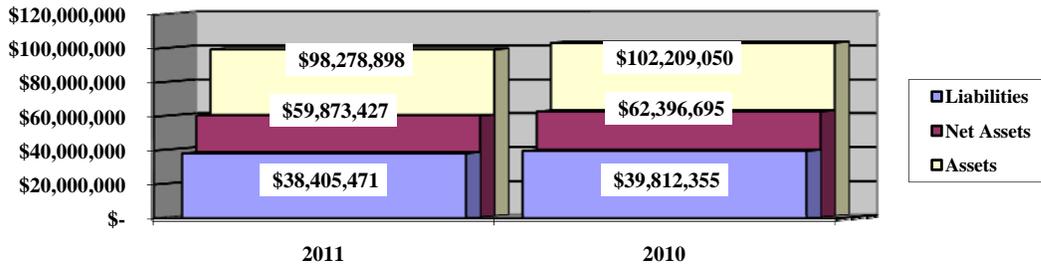
**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

At year-end, capital assets represented 54.35% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$41,178,429. 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, \$17,655,289, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$1,039,709.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2011 and 2010.

**Change in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,728,432	\$ 1,652,109
Operating grants and contributions	16,223,730	12,055,007
General revenues:		
Property taxes	15,955,077	17,697,727
Grants and entitlements not restricted	30,502,993	34,010,921
Investment earnings	160,063	384,336
Miscellaneous	1,358,998	1,589,150
<b>Total revenues</b>	<b>\$ 65,929,293</b>	<b>\$ 67,389,250</b>

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

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

**Change in Net Assets**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 17,515,045	\$ 18,069,579
Special	8,959,341	7,984,862
Vocational	1,093,219	1,286,686
Adult/continuing	295,197	296,283
Other	12,200,750	11,507,952
Support services:		
Pupil	3,797,117	4,008,290
Instructional staff	2,678,525	2,360,438
Board of education	21,212	41,808
Administration	3,271,485	4,051,082
Fiscal	1,128,274	1,408,206
Business	889,335	854,710
Operations and maintenance	6,145,098	5,260,626
Pupil transportation	2,204,185	2,110,449
Central	2,188,411	2,563,524
Food service operations	2,044,491	2,049,519
Other non-instructional services	2,264,765	1,970,052
Extracurricular activities	1,024,745	841,864
Interest and fiscal charges	<u>731,366</u>	<u>750,139</u>
Total expenses	<u>68,452,561</u>	<u>67,416,069</u>
Change in net assets	(2,523,268)	(26,819)
Net assets at beginning of year	<u>62,396,695</u>	<u>62,423,514</u>
Net assets at end of year	<u>\$ 59,873,427</u>	<u>\$ 62,396,695</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$2,523,268. Total governmental expenses of \$68,452,561 were offset by program revenues of \$17,952,162 and general revenues of \$47,977,131. Program revenues supported 26.23% of the total governmental expenses.

In the area of program revenues, the significant increase was in operating grants and contributions, which increased \$4,168,723. This increase is attributable primarily to \$3.2 million in funding through the State of Ohio for Pathway to Student Success (PASS) funding which offsets special education costs. PASS funding has been reported as a program revenue in fiscal year 2011 versus general revenue in fiscal year 2010.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources represent 70.47% of total governmental revenue.

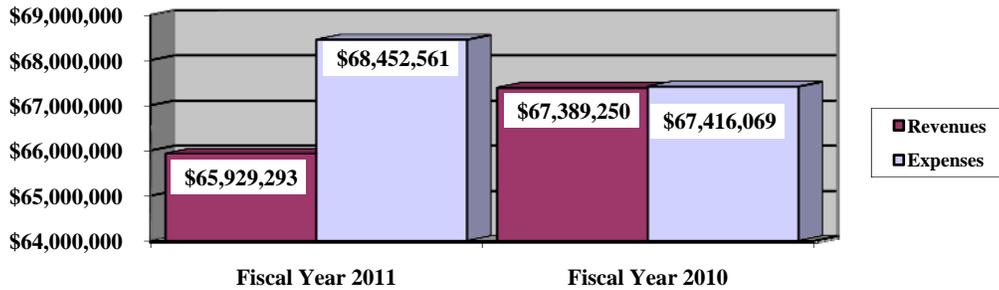
**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

The largest expense of the District is for instructional programs. Instruction expenses totaled \$40,063,552 or 58.53% of total governmental expenses for fiscal year 2011.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.

**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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program expenses</b>				
Instruction:				
Regular	\$ 17,515,045	\$ 15,273,088	\$ 18,069,579	\$ 13,922,518
Special	8,959,341	2,363,604	7,984,862	7,058,134
Vocational	1,093,219	579,503	1,286,686	720,219
Adult/continuing	295,197	(14,295)	296,283	(42,353)
Other	12,200,750	11,613,767	11,507,952	11,158,147
Support services:				
Pupil	3,797,117	3,024,387	4,008,290	3,486,939
Instructional staff	2,678,525	1,706,862	2,360,438	1,642,436
Board of education	21,212	21,212	41,808	41,808
Administration	3,271,485	2,602,937	4,051,082	3,597,245
Fiscal	1,128,274	737,022	1,408,206	795,631
Business	889,335	807,441	854,710	704,705
Operations and maintenance	6,145,098	6,136,737	5,260,626	5,242,728
Pupil transportation	2,204,185	1,921,653	2,110,449	1,973,914
Central	2,188,411	767,320	2,563,524	850,539
Food service operations	2,044,491	(47,098)	2,049,519	(86,729)
Other non-instructional services	2,264,765	1,602,077	1,970,052	1,314,684
Extracurricular activities	1,024,745	672,816	841,864	578,249
Interest and fiscal charges	731,366	731,366	750,139	750,139
<b>Total expenses</b>	<b>\$ 68,452,561</b>	<b>\$ 50,500,399</b>	<b>\$ 67,416,069</b>	<b>\$ 53,708,953</b>

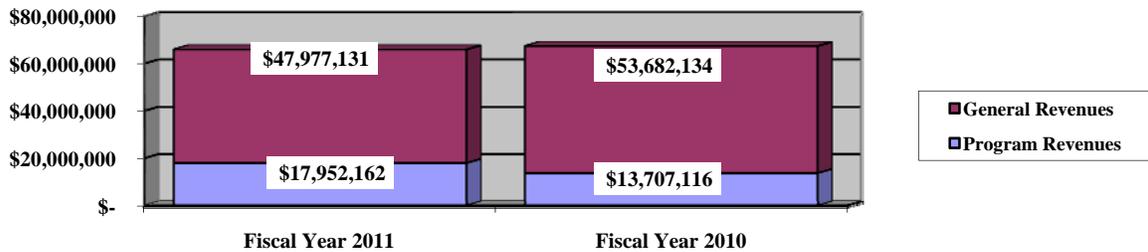
**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent, as 74.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.77%. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2011 and 2010.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$16,847,089, which is lower than last year's total of \$17,107,856. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balance as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance (deficit) <u>June 30, 2010</u>	Increase (Decrease)
General	\$ 494,384	\$ (503,163)	\$ 997,547
Debt Service	8,955,151	9,436,614	(481,463)
Other Governmental	<u>7,397,554</u>	<u>8,174,405</u>	<u>(776,851)</u>
Total	<u>\$16,847,089</u>	<u>\$ 17,107,856</u>	<u>\$ (260,767)</u>

**General Fund**

The District's general fund balance increased \$997,547. 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, 2011  
(UNAUDITED)

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 15,581,917	\$ 14,659,121	6.30 %
Tuition	671,862	636,957	5.48 %
Earnings on investments	137,592	391,652	(64.87) %
Intergovernmental	33,480,591	34,067,224	(1.72) %
Other revenues	<u>1,929,256</u>	<u>2,146,956</u>	(10.14) %
Total	<u>\$ 51,801,218</u>	<u>\$ 51,901,910</u>	(0.19) %
<b><u>Expenditures</u></b>			
Instruction	\$ 33,040,761	\$ 33,444,887	(1.21) %
Support services	15,354,504	16,782,891	(8.51) %
Operation of non-instructional services	1,485,127	1,334,125	11.32 %
Extracurricular activities	<u>819,466</u>	<u>641,272</u>	27.79 %
Total	<u>\$ 50,699,858</u>	<u>\$ 52,203,175</u>	(2.88) %

The increase in taxes is due in part to an increase in the amount of taxes available for advance recognized as revenue from \$2,245,893 in fiscal year 2010 to \$2,896,782 in fiscal year 2011. The amount of taxes available for advance fluctuates due to the timing of the tax bills sent from the County auditor. The increase in tuition is due to an increase in open enrollment. The decrease in interest revenue is due to a decrease in interest rates on the District's investments. The decrease in instruction and support services expenditures is due to the District's implementation of cost savings measures.

***General Fund Budgeting Highlights***

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

The District amended the budgeted revenues for the general fund during the year. For the general fund, original budgeted revenues and other financings sources were \$52,904,503 and final budgeted revenues and other financing sources were \$51,332,192. The actual revenues and other financing sources for fiscal year 2011 totaled \$51,332,192, which were the same as the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) were \$52,961,177. The District made one amendment to the appropriations during the year resulting in final appropriations of \$52,718,700. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$51,354,226, which was \$1,364,474 lower than the final budgeted appropriations.

***Debt Service Fund***

The debt service fund balance decreased \$481,463 during the course of fiscal year 2011. The debt service fund had revenues of \$1,314,032 and expenditures of \$1,795,495. This decrease is a result of debt payments exceeding tax revenues during fiscal year 2011.

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

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the District had \$53,411,630 invested in land, construction in progress, 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 2011 balances compared to 2010:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 5,135,808	\$ 5,135,808
Construction in Progress	504,796	-
Land improvements	1,618,120	1,770,971
Buildings and improvements	44,505,646	46,009,488
Furniture and equipment	1,255,322	1,392,490
Vehicles	355,620	356,071
Textbooks	<u>36,318</u>	<u>348,303</u>
Total	<u>\$ 53,411,630</u>	<u>\$ 55,013,131</u>

The overall decrease in capital assets of \$1,601,501 is due to depreciation expense of \$2,318,714 exceeding capital outlays of \$717,213 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, 2011, the District had \$12,815,491 in general obligation bonds and capital lease obligations outstanding. Of this total, \$1,232,879 is due within one year and \$11,582,612 is due in more than one year. The following table summarizes the bonds and capital lease obligations outstanding.

	<b>Outstanding Debt at June 30</b>	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
Capital lease obligation	\$ 46,860	\$ -
General obligation bonds - 1999	21,830	47,577
General obligation bonds - 2007	<u>12,746,801</u>	<u>13,763,453</u>
Total	<u>\$ 12,815,491</u>	<u>\$ 13,811,030</u>

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

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

At June 30, 2011, the District's overall legal debt margin was \$35,982,296 with an unvoted debt margin of \$434,489. See Note 10 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 little change. 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 24.20% of revenues for governmental activities for the District in fiscal year 2011.

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

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rosetta Stephens, Treasurer, Mansfield City School District, 856 W. Cook Road, Mansfield, Ohio 44907.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Primary Government</b>	<b>Component Units</b>		
	<b>Governmental Activities</b>	<b>Mansfield Enhancement Academy</b>	<b>Interactive Media and Construction, Inc.</b>	<b>Mansfield Elective Academy</b>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 19,622,101	\$ 65,905	\$ 487,566	\$ 241,716
Receivables:				
Property taxes . . . . .	23,085,904	-	-	-
Accounts. . . . .	53,581	-	-	-
Accrued interest . . . . .	41,779	-	-	-
Intergovernmental . . . . .	1,648,392	57,317	31,765	19,111
Prepayments . . . . .	22,873	2,516	2,362	1,070
Materials and supplies inventory. . . . .	236,266	-	-	-
Unamortized bond issuance costs . . . . .	156,372	-	-	-
Capital assets:				
Land and construction in progress. . . . .	5,640,604	-	-	-
Depreciable capital assets, net. . . . .	47,771,026	1,774	17,788	3,384
Capital assets, net . . . . .	53,411,630	1,774	17,788	3,384
Total assets. . . . .	98,278,898	127,512	539,481	265,281
<b>Liabilities:</b>				
Accounts payable. . . . .	325,478	2,834	273	4,014
Contracts payable. . . . .	492,070	-	-	-
Accrued wages and benefits . . . . .	4,623,246	-	-	-
Pension obligation payable. . . . .	1,168,474	-	-	-
Intergovernmental payable . . . . .	295,496	3,308	114	4,194
Unearned revenue . . . . .	14,460,427	-	-	-
Accrued interest payable . . . . .	37,449	-	-	-
Claims payable. . . . .	677,000	-	-	-
Long-term liabilities:				
Due within one year. . . . .	1,625,721	-	-	-
Due in more than one year. . . . .	14,700,110	-	-	-
Total liabilities . . . . .	38,405,471	6,142	387	8,208
<b>Net Assets:</b>				
Invested in capital assets, net of related debt. . . . .	41,178,429	1,774	17,788	3,384
Restricted for:				
Capital projects . . . . .	6,107,052	-	-	-
Classroom facilities maintenance . . . . .	1,086,782	-	-	-
Debt service. . . . .	9,144,883	-	-	-
Locally funded programs . . . . .	24,953	-	-	-
State funded programs. . . . .	1,022,024	-	-	-
Federally funded programs . . . . .	104,708	92,546	35,000	22,632
Public school support . . . . .	-	-	-	80
Student activities . . . . .	20,004	-	-	-
Other purposes . . . . .	144,883	-	-	-
Unrestricted. . . . .	1,039,709	27,050	486,306	230,977
Total net assets . . . . .	\$ 59,873,427	\$ 121,370	\$ 539,094	\$ 257,073

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, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Primary Government	Component Units		
				Governmental Activities	Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy
<b>Governmental activities:</b>							
Instruction:							
Regular . . . . .	\$ 17,515,045	\$ 767,643	\$ 1,474,314	\$ (15,273,088)	\$ -	\$ -	\$ -
Special . . . . .	8,959,341	51,366	6,544,371	(2,363,604)	-	-	-
Vocational . . . . .	1,093,219	-	513,716	(579,503)	-	-	-
Adult/continuing . . . . .	295,197	165,423	144,069	14,295	-	-	-
Other . . . . .	12,200,750	-	586,983	(11,613,767)	-	-	-
Support services:							
Pupil . . . . .	3,797,117	-	772,730	(3,024,387)	-	-	-
Instructional staff . . . . .	2,678,525	-	971,663	(1,706,862)	-	-	-
Board of education . . . . .	21,212	-	-	(21,212)	-	-	-
Administration . . . . .	3,271,485	-	668,548	(2,602,937)	-	-	-
Fiscal . . . . .	1,128,274	-	391,252	(737,022)	-	-	-
Business . . . . .	889,335	-	81,894	(807,441)	-	-	-
Operations and maintenance . . . . .	6,145,098	8,361	-	(6,136,737)	-	-	-
Pupil transportation . . . . .	2,204,185	74,852	207,680	(1,921,653)	-	-	-
Central . . . . .	2,188,411	-	1,421,091	(767,320)	-	-	-
Operation of non-instructional services:							
Other non-instructional services . . . . .	2,264,765	-	662,688	(1,602,077)	-	-	-
Food service operations . . . . .	2,044,491	321,429	1,770,160	47,098	-	-	-
Extracurricular activities . . . . .	1,024,745	339,358	12,571	(672,816)	-	-	-
Interest and fiscal charges . . . . .	731,366	-	-	(731,366)	-	-	-
<b>Total governmental activities . . . . .</b>	<b>\$ 68,452,561</b>	<b>\$ 1,728,432</b>	<b>\$ 16,223,730</b>	<b>(50,500,399)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Component Units</b>							
Mansfield Enhancement Academy . . . . .	\$ 581,838	\$ -	\$ 339,369	-	(242,469)	-	-
Interactive Media and Construction, Inc. . . . .	709,497	150	443,600	-	-	(265,747)	-
Mansfield Elective Academy . . . . .	333,416	-	303,042	-	-	-	(30,374)
<b>Total component units . . . . .</b>	<b>\$ 1,624,751</b>	<b>\$ 150</b>	<b>\$ 1,086,011</b>	<b>-</b>	<b>(242,469)</b>	<b>(265,747)</b>	<b>(30,374)</b>
<b>General Revenues:</b>							
Property taxes levied for:							
General purposes . . . . .				14,373,048	-	-	-
Special revenue . . . . .				149,398	-	-	-
Debt service . . . . .				680,036	-	-	-
Capital projects . . . . .				752,595	-	-	-
Grants and entitlements not restricted							
to specific programs . . . . .				30,502,993	288,097	145,757	54,018
Investment earnings . . . . .				160,063	118	1,055	372
Miscellaneous . . . . .				1,358,998	-	-	-
<b>Total general revenues . . . . .</b>				<b>47,977,131</b>	<b>288,215</b>	<b>146,812</b>	<b>54,390</b>
Change in net assets . . . . .				(2,523,268)	45,746	(118,935)	24,016
<b>Net assets at beginning of year . . . . .</b>				<b>62,396,695</b>	<b>75,624</b>	<b>658,029</b>	<b>233,057</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 59,873,427</b>			<b>\$ 121,370</b>	<b>\$ 539,094</b>	<b>\$ 257,073</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 2,495,842	\$ 8,820,519	\$ 8,298,061	\$ 19,614,422
Receivables:				
Property taxes. . . . .	20,836,021	968,386	1,281,497	23,085,904
Accounts . . . . .	19,862	-	33,719	53,581
Accrued interest . . . . .	41,779	-	-	41,779
Intergovernmental. . . . .	32,923	-	1,615,469	1,648,392
Prepayments. . . . .	22,873	-	-	22,873
Materials and supplies inventory. . . . .	190,310	-	45,956	236,266
Due from other funds . . . . .	4,527	-	-	4,527
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	4,982	-	-	4,982
Total assets . . . . .	<u>\$ 23,649,119</u>	<u>\$ 9,788,905</u>	<u>\$ 11,274,702</u>	<u>\$ 44,712,726</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 44,342	\$ -	\$ 281,136	\$ 325,478
Contracts payable. . . . .	-	-	492,070	492,070
Accrued wages and benefits. . . . .	3,889,100	-	734,146	4,623,246
Compensated absences payable . . . . .	51,234	-	-	51,234
Intergovernmental payable . . . . .	222,279	-	73,217	295,496
Unearned revenue. . . . .	13,051,157	606,573	802,697	14,460,427
Deferred revenue . . . . .	4,924,178	227,181	1,293,326	6,444,685
Pension obligation payable . . . . .	972,445	-	196,029	1,168,474
Due to other funds . . . . .	-	-	4,527	4,527
Total liabilities. . . . .	<u>23,154,735</u>	<u>833,754</u>	<u>3,877,148</u>	<u>27,865,637</u>
<b>Fund Balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	190,310	-	45,956	236,266
Prepays. . . . .	22,873	-	-	22,873
Restricted:				
Debt service . . . . .	-	8,955,151	-	8,955,151
Capital improvements . . . . .	-	-	5,856,883	5,856,883
Adult education . . . . .	-	-	6,543	6,543
Classroom facilities maintenance . . . . .	-	-	1,045,169	1,045,169
Food service operations . . . . .	-	-	193,550	193,550
Non-public schools . . . . .	-	-	55,277	55,277
Special education . . . . .	-	-	50,703	50,703
Targeted academic assistance . . . . .	-	-	54,704	54,704
Vocational education. . . . .	-	-	265	265
School bus purchases. . . . .	4,982	-	-	4,982
Extracurricular. . . . .	-	-	20,004	20,004
Other purposes. . . . .	-	-	122,305	122,305
Assigned:				
Student instruction . . . . .	94,197	-	-	94,197
Student and staff support. . . . .	293,122	-	-	293,122
School supplies. . . . .	111,348	-	-	111,348
Adult education. . . . .	332,370	-	-	332,370
Other purposes. . . . .	106,058	-	-	106,058
Unassigned (deficit). . . . .	(660,876)	-	(53,805)	(714,681)
Total fund balances . . . . .	<u>494,384</u>	<u>8,955,151</u>	<u>7,397,554</u>	<u>16,847,089</u>
Total liabilities and fund balances . . . . .	<u>\$ 23,649,119</u>	<u>\$ 9,788,905</u>	<u>\$ 11,274,702</u>	<u>\$ 44,712,726</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, 2011

<b>Total governmental fund balances</b>		\$	16,847,089
<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.			53,411,630
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	5,415,899	
Accrued interest receivable		36,096	
Intergovernmental receivable		992,690	
Total		6,444,685	6,444,685
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			(674,303)
Bond issuance costs are not recognized in the funds.			156,372
Unamortized premiums on bond issuance costs are not recognized in the funds.			(985,484)
Unamortized amounts on refundings are not recognized in the funds.			829,113
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(37,449)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(12,768,631)	
Capital lease obligations		(46,860)	
Compensated absences		(3,302,735)	
Total		(16,118,226)	(16,118,226)
<b>Net assets of governmental activities</b>		\$	59,873,427

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 15,581,917	\$ 735,230	\$ 975,607	\$ 17,292,754
Tuition . . . . .	671,862	-	-	671,862
Transportation fees . . . . .	74,852	-	-	74,852
Earnings on investments . . . . .	137,592	-	9,626	147,218
Charges for services . . . . .	-	-	307,809	307,809
Extracurricular . . . . .	167,238	-	165,997	333,235
Classroom materials and fees . . . . .	75,306	-	-	75,306
Rental income . . . . .	8,361	-	1,680	10,041
Contributions and donations . . . . .	33,428	-	6,808	40,236
Contract services . . . . .	93,718	-	-	93,718
Other local revenues . . . . .	1,476,353	-	18,989	1,495,342
Intergovernmental - state . . . . .	33,402,202	578,802	1,061,521	35,042,525
Intergovernmental - federal . . . . .	78,389	-	11,331,593	11,409,982
<b>Total revenues . . . . .</b>	<b>51,801,218</b>	<b>1,314,032</b>	<b>13,879,630</b>	<b>66,994,880</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	15,277,519	-	688,550	15,966,069
Special . . . . .	4,862,509	-	3,669,377	8,531,886
Vocational . . . . .	1,106,346	-	13,459	1,119,805
Adult/continuing . . . . .	156,115	-	139,082	295,197
Other . . . . .	11,638,272	-	550,630	12,188,902
Support services:				
Pupil . . . . .	2,960,761	-	745,660	3,706,421
Instructional staff . . . . .	1,686,898	-	943,006	2,629,904
Board of education . . . . .	21,212	-	-	21,212
Administration . . . . .	2,388,104	-	662,218	3,050,322
Fiscal . . . . .	698,992	19,101	401,040	1,119,133
Business . . . . .	830,642	-	76,807	907,449
Operations and maintenance . . . . .	4,106,125	-	2,215,489	6,321,614
Pupil transportation . . . . .	1,937,244	-	213,591	2,150,835
Central . . . . .	724,526	-	1,461,638	2,186,164
Operation of non-instructional services:				
Other non-instructional services . . . . .	1,485,127	-	730,610	2,215,737
Food service operations . . . . .	-	-	1,975,699	1,975,699
Extracurricular activities . . . . .	819,466	-	179,658	999,124
Capital outlay . . . . .	-	-	52,302	52,302
Debt service:				
Principal retirement . . . . .	-	1,230,747	5,442	1,236,189
Interest and fiscal charges . . . . .	-	545,647	1,307	546,954
<b>Total expenditures . . . . .</b>	<b>50,699,858</b>	<b>1,795,495</b>	<b>14,725,565</b>	<b>67,220,918</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,101,360	(481,463)	(845,935)	(226,038)
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	1,187	-	1,782	2,969
Transfers in . . . . .	-	-	15,000	15,000
Transfers (out) . . . . .	(105,000)	-	-	(105,000)
Capital lease transaction . . . . .	-	-	52,302	52,302
<b>Total other financing sources (uses) . . . . .</b>	<b>(103,813)</b>	<b>-</b>	<b>69,084</b>	<b>(34,729)</b>
Net change in fund balances . . . . .	997,547	(481,463)	(776,851)	(260,767)
<b>Fund balances (deficit)</b>				
<b>at beginning of year (restated) . . . . .</b>	<b>(503,163)</b>	<b>9,436,614</b>	<b>8,174,405</b>	<b>17,107,856</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 494,384</b>	<b>\$ 8,955,151</b>	<b>\$ 7,397,554</b>	<b>\$ 16,847,089</b>

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, 2011

**Net change in fund balances - total governmental funds** \$ (260,767)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$ 717,213	
Current year depreciation	(2,318,714)	
<b>Total</b>	<b>(1,601,501)</b>	<b>(1,601,501)</b>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(1,337,677)	
Earnings on investments	12,988	
Intergovernmental	205,332	
<b>Total</b>	<b>(1,119,357)</b>	<b>(1,119,357)</b>

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	1,230,747	
Capital leases	5,442	
<b>Total</b>	<b>1,236,189</b>	<b>1,236,189</b>

Capital lease transactions are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.

Capital leases	(52,302)	
<b>Total</b>	<b>(52,302)</b>	<b>(52,302)</b>

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	3,937	
Accreted interest on capital appreciation bonds	(188,348)	
Amortization of bond issuance costs	(9,527)	
Amortization of bond premiums	60,030	
Amortization of deferred charges	(50,504)	
<b>Total</b>	<b>(184,412)</b>	<b>(184,412)</b>

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.

(57,758)

An 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.

(483,360)

**Change in net assets of governmental activities** \$ (2,523,268)

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 15,388,368	\$ 14,931,028	\$ 14,931,028	\$ -
Tuition . . . . .	655,386	635,908	635,908	-
Transportation fees . . . . .	59,665	57,892	57,892	-
Earnings on investments . . . . .	280,434	272,100	272,100	-
Rental income . . . . .	8,617	8,361	8,361	-
Contributions and donations . . . . .	27,998	27,166	27,166	-
Contract services . . . . .	96,589	93,718	93,718	-
Other local revenues . . . . .	1,327,384	1,287,934	1,287,934	-
Intergovernmental - state . . . . .	34,477,120	33,452,467	33,452,467	-
Intergovernmental - federal . . . . .	65,996	64,035	64,035	-
<b>Total revenues . . . . .</b>	<u>52,387,557</u>	<u>50,830,609</u>	<u>50,830,609</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	16,329,285	16,086,808	15,850,447	236,361
Special . . . . .	4,944,928	4,944,928	4,796,258	148,670
Vocational . . . . .	1,217,864	1,217,864	1,181,249	36,615
Other . . . . .	12,065,659	12,065,659	11,702,904	362,755
Support services:				
Pupil . . . . .	3,128,348	3,128,348	3,034,294	94,054
Instructional staff . . . . .	1,715,277	1,715,277	1,663,707	51,570
Board of education . . . . .	34,280	34,280	33,249	1,031
Administration . . . . .	2,641,483	2,641,483	2,562,067	79,416
Fiscal . . . . .	675,461	675,461	640,484	34,977
Business . . . . .	845,576	845,576	820,154	25,422
Operations and maintenance . . . . .	4,337,882	4,337,882	4,207,463	130,419
Pupil transportation . . . . .	2,037,987	2,037,987	1,976,715	61,272
Central . . . . .	709,370	709,370	679,313	30,057
Operation of non-instructional services . . . . .	1,511,204	1,511,204	1,465,770	45,434
Extracurricular activities . . . . .	645,840	645,840	635,152	10,688
<b>Total expenditures . . . . .</b>	<u>52,840,444</u>	<u>52,597,967</u>	<u>51,249,226</u>	<u>1,348,741</u>
Excess of expenditures over revenues . . . . .	(452,887)	(1,767,358)	(418,617)	1,348,741
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	515,723	500,396	500,396	-
Transfers (out) . . . . .	(120,733)	(120,733)	(105,000)	15,733
Sale of capital assets . . . . .	1,223	1,187	1,187	-
<b>Total other financing sources (uses) . . . . .</b>	<u>396,213</u>	<u>380,850</u>	<u>396,583</u>	<u>15,733</u>
Net change in fund balance . . . . .	(56,674)	(1,386,508)	(22,034)	1,364,474
<b>Fund balance at beginning of year . . . . .</b>	1,342,904	1,342,904	1,342,904	-
<b>Prior year encumbrances appropriated . . . . .</b>	43,604	43,604	43,604	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 1,329,834</u>	<u>\$ -</u>	<u>\$ 1,364,474</u>	<u>\$ 1,364,474</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments. . . . .	\$ 2,697
Total assets. . . . .	2,697
<b>Liabilities:</b>	
Claims payable . . . . .	677,000
Total liabilities . . . . .	677,000
<b>Net assets:</b>	
Unrestricted (deficit). . . . .	(674,303)
Total net assets . . . . .	\$ (674,303)

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, 2011

	<b>Governmental            Activities -            Internal            Service Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 7,390,539
Total operating revenues . . . . .	<u>7,390,539</u>
<b>Operating expenses:</b>	
Purchased services . . . . .	965,569
Claims . . . . .	<u>6,998,330</u>
Total operating expenses . . . . .	<u>7,963,899</u>
Operating loss . . . . .	<u>(573,360)</u>
Transfer in . . . . .	<u>90,000</u>
Change in net assets . . . . .	(483,360)
<b>Net assets (deficit) at beginning of year . . .</b>	<u>(190,943)</u>
<b>Net assets (deficit) at end of year . . . . .</b>	<u><u>\$ (674,303)</u></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, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services. . . . .	\$ 7,390,539
Cash payments for contractual services . . . . .	(965,569)
Cash payments for claims . . . . .	<u>(7,002,978)</u>
Net cash used in operating activities . . . . .	<u>(578,008)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from transfers in . . . . .	<u>90,000</u>
Net cash provided by noncapital financing activities. . . . .	<u>90,000</u>
Net decrease in cash and cash equivalents. . . . .	(488,008)
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>490,705</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 2,697</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (573,360)
Changes in liabilities:	
Decrease in claims payable. . . . .	<u>(4,648)</u>
Net cash used in operating activities. . . . .	<u><u>\$ (578,008)</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, 2011

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and investments. . . . .	\$ 26,525	\$ 870,077
Receivables:		
Intergovernmental. . . . .	-	11,612
Total assets. . . . .	26,525	\$ 881,689
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 17,667
Intergovernmental payable . . . . .	-	838,065
Due to students. . . . .	-	25,957
Total liabilities . . . . .	-	\$ 881,689
<b>Net assets:</b>		
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, 2011

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

SEE ACCOMPANYING NOTES 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, 2011**

**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. The District employs 359 certified employees, 223 non-certified employees and 36 administrators who provide services to 3,498 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

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

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 Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 856 W. Cook Road, Mansfield, Ohio 44907. Information about this component unit is presented in Note 21 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 IMAC is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the IMAC at 856 W. Cook Road, Mansfield, Ohio 44907. Information about this component unit is presented in Note 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, 2011**

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

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 of 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 Elective Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Elective Academy at 856 W. Cook Road, Mansfield, Ohio 44907. Information about this component unit is presented in Note 22 to the basic financial statements.

*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 2011, the District paid \$184,273 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.

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

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

The following are the District's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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.

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

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

*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.

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

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.

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

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

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

*Other Instruction Expense*

The Statement of Activities reports 30.4 percent (\$12,200,750 of \$40,063,552) of the District's Instruction expenses as "Other." \$10,787,211 of the \$12,200,750 is comprised of State Aid Adjustments from the District's School Foundation Settlement state receipts. These adjustments consist of deductions for community schools, post secondary/education choice, open enrollment, tuition, and special education. This deduction is significantly large for the District due to the large number of District students attending community schools or other school districts through open enrollment options. The remaining \$1,413,539 consists of various expenses for intervention services.

*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, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

**E. Budgets**

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

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

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

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

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

Appropriations:

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

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

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

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

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

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

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 2011, 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 2011. 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, 2011.

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 2011 amounted to \$137,592, which includes \$122,133 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

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

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance 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 deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000 for general capital assets. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land and construction in progress 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>	Governmental Activities <u>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 loans to cover negative cash balances at June 30 are classified as "due to/due from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

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

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 10.A.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**N. Prepayments**

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

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes consists of monies restricted by State statute for school bus purchases (See Note 17).

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 17 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.

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**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 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

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

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ (1,162,747)	\$ 9,436,614	\$ 8,833,989	\$ 17,107,856
Fund reclassifications:				
Public school support fund	129,547	-	(129,547)	-
Special trust fund	111,307	-	(111,307)	-
Uniform school supplies fund	109,598	-	(109,598)	-
Adult education fund	<u>309,132</u>	<u>-</u>	<u>(309,132)</u>	<u>-</u>
Total fund reclassifications	<u>659,584</u>	<u>-</u>	<u>(659,584)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ (503,163)</u>	<u>\$ 9,436,614</u>	<u>\$ 8,174,405</u>	<u>\$ 17,107,856</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (continued)**

**C. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 8,106
Alternative education	13,372
Title I	30,672
IDEA preschool grant for the handicapped	1,132
Title I school improvement	523
Internal service health benefits	674,303

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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

**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. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was (\$348,274), exclusive of the \$7,414,522 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, 2011, the District's entire bank balance of \$128,835 was covered by the FDIC.

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**B. Investments**

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

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	24 to 60 months
FNMA	\$ 3,831,514	\$ -	\$ -	\$ -	\$ 2,324,316	\$ 1,507,198
FHLB	2,610,207	-	200,045	101,174	102,685	2,206,303
FFCB	1,008,463	100,239	-	200,012	101,830	606,382
FHLMC	1,400,271	-	-	-	400,271	1,000,000
U.S. Government money market	4,600,000	4,600,000	-	-	-	-
Repurchase agreement	7,414,522	7,414,522	-	-	-	-
STAR Ohio	2,000	2,000	-	-	-	-
<b>Total</b>	<b>\$ 20,866,977</b>	<b>\$ 12,116,761</b>	<b>\$ 200,045</b>	<b>\$ 301,186</b>	<b>\$ 2,929,102</b>	<b>\$ 5,319,883</b>

The weighted average maturity of investments is 1.28.

*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 rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 \$7,414,522 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 credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 3,831,514	18.36
FHLB	2,610,207	12.51
FFCB	1,008,463	4.83
FHLMC	1,400,271	6.71
U.S. Government money market	4,600,000	22.05
Repurchase agreement	7,414,522	35.53
STAR Ohio	<u>2,000</u>	<u>0.01</u>
Total	<u>\$ 20,866,977</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (348,274)
Investments	<u>20,866,977</u>
Total	<u>\$ 20,518,703</u>
<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 19,622,101
Private-purpose trust fund	26,525
Agency funds	<u>870,077</u>
Total	<u>\$ 20,518,703</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund transfers consisted of the following at June 30, 2011, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 15,000
Internal service fund	<u>90,000</u>
Total	<u>\$ 105,000</u>

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

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

- B. Interfund balances at June 30, 2011 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	<u>\$ 4,527</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2011 are reported on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$2,896,782 in the general fund, \$134,632 in the debt service fund, \$148,256 in the permanent improvement fund (a nonmajor governmental fund) and \$29,908 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$2,245,893 in the general fund, \$104,017 in the debt service fund, \$114,699 in the permanent improvement fund (a nonmajor governmental fund) and \$23,161 in the classroom facilities maintenance fund (a nonmajor governmental fund). 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 delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 424,496,510	96.27	\$ 417,208,800	96.02
Public utility personal	<u>16,436,770</u>	<u>3.73</u>	<u>17,279,810</u>	<u>3.98</u>
Total	<u>\$ 440,933,280</u>	<u>100.00</u>	<u>\$ 434,488,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$68.65		\$68.65	

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported in the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 23,085,904
Accounts	53,581
Intergovernmental	1,648,392
Accrued interest	<u>41,779</u>
Total	<u>\$ 24,829,656</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, 2011, was as follows:

	<u>Balance</u> <u>07/1/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 5,135,808	\$ -	\$ -	\$ 5,135,808
Construction in progress	<u>-</u>	<u>504,796</u>	<u>-</u>	<u>504,796</u>
Total capital assets, not being depreciated	<u>5,135,808</u>	<u>504,796</u>	<u>-</u>	<u>5,640,604</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,301,832	-	-	3,301,832
Buildings and improvements	67,951,451	-	-	67,951,451
Furniture and equipment	6,224,828	60,617	(109,455)	6,175,990
Vehicles	2,104,460	151,800	(127,387)	2,128,873
Textbooks	<u>3,043,838</u>	<u>-</u>	<u>-</u>	<u>3,043,838</u>
Total capital assets, being depreciated	<u>82,626,409</u>	<u>212,417</u>	<u>(236,842)</u>	<u>82,601,984</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,530,861)	(152,851)	-	(1,683,712)
Buildings and improvements	(21,941,963)	(1,503,842)	-	(23,445,805)
Furniture and equipment	(4,832,338)	(197,785)	109,455	(4,920,668)
Vehicles	(1,748,389)	(152,251)	127,387	(1,773,253)
Textbooks	<u>(2,695,535)</u>	<u>(311,985)</u>	<u>-</u>	<u>(3,007,520)</u>
Total accumulated depreciation	<u>(32,749,086)</u>	<u>(2,318,714)</u>	<u>236,842</u>	<u>(34,830,958)</u>
Governmental activities capital assets, net	<u>\$ 55,013,131</u>	<u>\$ (1,601,501)</u>	<u>\$ -</u>	<u>\$ 53,411,630</u>

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 8 - CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,260,404
Special	289,041
<u>Support services:</u>	
Pupil	97,068
Administration	169,994
Operations and maintenance	274,049
Pupil Transportation	147,262
Extracurricular activities	22,769
Other non-instructional services	21,479
Food service operations	<u>36,648</u>
Total depreciation expense	<u>\$ 2,318,714</u>

**NOTE 9 - CAPITAL LEASES**

During the current year, the District entered into a capitalized lease for security equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the permanent improvement fund (a nonmajor governmental fund).

The security equipment was below the District's capitalization threshold, so the equipment was not capitalized and the lease obligation is excluded from the net assets invested in capital assets net of related debt calculation. Principal payments in fiscal year 2011 totaled \$5,442 by the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2011.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 20,247
2013	20,247
2014	<u>13,499</u>
Total minimum lease payments	53,993
Less: amount representing interest	<u>(7,133)</u>
Total	<u>\$ 46,860</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2011, the following changes occurred in governmental activities long term obligations:

	Balance Outstanding <u>07/1/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
General obligation bonds - 1999	\$ 47,577	\$ -	\$ (25,747)	\$ 21,830	\$ 21,830
General obligation bonds - 2005	13,763,453	188,348	(1,205,000)	12,746,801	1,195,000
Capital lease obligation	-	52,302	(5,442)	46,860	16,049
Compensated absences	<u>3,401,265</u>	<u>450,600</u>	<u>(497,896)</u>	<u>3,353,969</u>	<u>392,842</u>
Total governmental activities	<u>\$ 17,212,295</u>	<u>\$ 691,250</u>	<u>\$ (1,734,085)</u>	16,169,460	<u>\$ 1,625,721</u>
Less: deferred charge on refunding				(829,113)	
Add: unamortized premium				<u>985,484</u>	
Total on statement of net assets				<u>\$ 16,325,831</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, and food service. See Note 9 for detail on capital lease obligations.

- 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 payments to retire the Series 1999 general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year	<u>General Obligation Bonds</u>		
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 21,830</u>	<u>\$ 43,170</u>	<u>\$ 65,000</u>

- C. 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 \$691,801 has been included in the statement of activities.

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2011 on the 2005 series refunding bonds:

	Balance <u>07/1/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/11</u>
Current interest bonds	\$ 12,960,000	\$ -	\$(1,205,000)	\$ 11,755,000
Capital appreciation bonds	300,000	-	-	300,000
Accreted interest	503,453	188,348	-	691,801
Total refunding bonds	<u>\$ 13,763,453</u>	<u>\$ 188,348</u>	<u>\$(1,205,000)</u>	<u>\$ 12,746,801</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.

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

Fiscal Year <u>Ending June 30.</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,195,000	\$ 462,395	\$ 1,657,395	\$ -	\$ -	\$ -
2013	1,180,000	419,374	1,599,374	-	-	-
2014	1,175,000	372,275	1,547,275	-	-	-
2015	-	348,775	348,775	170,000	1,000,000	1,170,000
2016	-	348,775	348,775	130,000	985,000	1,115,000
2017 - 2021	5,185,000	1,217,737	6,402,737	-	-	-
2022 - 2026	2,635,000	274,593	2,909,593	-	-	-
2027 - 2028	385,000	16,256	401,256	-	-	-
Total	<u>\$ 11,755,000</u>	<u>\$ 3,460,180</u>	<u>\$ 15,215,180</u>	<u>\$ 300,000</u>	<u>\$ 1,985,000</u>	<u>\$ 2,285,000</u>

**D. 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, 2011, are a voted debt margin of \$35,892,296 (including available funds of \$8,955,151) and an unvoted debt margin of \$434,489.

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 11 - 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 47 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.

**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 12 - 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 the Netherlands Insurance Company. The deductible is \$1,000 per incident on property and \$500 per incident on equipment. All vehicles are also insured with the Netherlands Insurance Company and have a \$500 deductible. All Board members, administrators and employees are covered under a school district liability policy with the Netherlands Insurance Company. The limits of this coverage are \$1,000,000 per claim (claims made) with a \$10,000,000 umbrella. The deductible is \$2,500 per claim. The general liability has a limit of \$1,000,000 for each occurrence and the general aggregate limit is \$2,000,000. The Board members and superintendent have a \$20,000 position bond with Travelers Casualty and Surety Company of America.

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

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

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 12 - RISK MANAGEMENT (continued)**

**B. Workers' Compensation Rating Plan**

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

**C. Employee Medical Benefits**

The District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2011, a total expense of \$965,569 was incurred in administrative costs. An excess coverage insurance policy covers individual claims in excess of \$150,000. The liability for unpaid claims of \$677,000 reported at June 30, 2011 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 2011 and 2010 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	\$ 681,648	\$ 6,998,330	\$ (7,002,978)	\$ 677,000
2010	711,000	6,882,258	(6,911,610)	681,648

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$751,042, \$846,256 and \$613,628, respectively; 50.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**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](http://www.strsoh.org), under "Publications".

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The 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.

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$3,255,571, \$3,315,303 and \$3,399,590, respectively; 84.13 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$92,321 made by the District and \$65,944 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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$192,451, \$134,241 and \$405,794, respectively; 50.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$48,331, \$50,325 and \$50,629, respectively; 50.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$250,429, \$255,023 and \$261,507, respectively; 84.13 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, 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);

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FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (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 assigned or committed 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) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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	\$ (22,034)
Net adjustment for revenue accruals	492,922
Net adjustment for expenditure accruals	713,567
Net adjustment for other sources/uses	(500,396)
Funds budgeted elsewhere	16,990
Adjustment for encumbrances	296,498
GAAP basis	<u>\$ 997,547</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the special trust fund, the uniform school supplies fund and the adult education fund.

**NOTE 16 - 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - SET-ASIDES**

The District 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.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	503,834	503,834
Current year qualifying expenditures	(310,999)	(686,644)
Excess qualified expenditures from prior years	(1,773,488)	-
Current year offsets	<u>-</u>	<u>(1,089,463)</u>
Total	<u>\$ (1,580,653)</u>	<u>\$ (1,272,273)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years. In addition to the above statutory reserves, the District also received monies restricted for school bus purchases in the amount of \$4,982 which is shown as restricted assets on the fund financial statements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 273,466
Nonmajor governmental funds	<u>1,169,203</u>
 Total	 <u>\$ 1,442,669</u>

**NOTE 19 – FISCAL WATCH**

The District is required to prepare and file, with the Superintendent of the Ohio Department of Education, a 5 year forecast. Due to projected operating deficits on this forecast, on December 8, 2006, the District was declared to be in a state of “Fiscal Watch” by the Auditor of State.

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC.**

Interactive Media and Construction, Inc. (“IMAC”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students who have met some graduation requirements for the attainment of a high school diploma or graduation equivalence diploma. IMAC is nonsectarian in its programs, admission policies, employment practices and all other operations. IMAC may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of IMAC.

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

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

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

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

The service contract for the fiscal year 2011-2012 between IMAC and the Sponsor was also approved. In agreement with the contract, IMAC shall utilize certain resources converted to IMAC's use by the Sponsor, including, but not limited to, portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum, and educational strategy, as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion. The price for services rendered by the Sponsor to IMAC is established as the Sponsor's "cost of providing such services including, without limitation, employee salaries and fringe benefits, equipment costs if any, and administrative overhead." All personnel providing services to IMAC on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

**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) guidance issued prior to November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. IMAC had the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. IMAC elected not to apply this FASB guidance. 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 finances and meets the cash flow needs of its activities.

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

***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 on 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.

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 their contract with their 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. During fiscal year 2011, investments were limited to a repurchase agreement. Investments were reported at fair value which is based on quoted market prices.

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

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

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

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

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

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

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

*Intergovernmental Revenue* - IMAC currently participates in the State Foundation Program through the Ohio Department of Education, the American Recovery and Reinvestment Act (ARRA) grants, the Education Jobs grant, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Improving Teacher Quality grant, the Federal Title IV-A Drug Free Schools grant and the Title II-D Technology grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which IMAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to IMAC on a reimbursement basis. Federal and State grant revenue for the fiscal year 2011 was \$145,757.

*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. Change in Accounting Principles**

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

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

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

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

**C. Deposits and Investments**

**Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all IMAC deposits was \$(215). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of IMAC’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into an overnight repurchase agreement which is reported as “investments”. IMAC had a zero bank balance at June 30, 2011.

**Investments**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase agreement	\$ 487,781	\$ 487,781

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, IMAC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of IMAC’s \$487,781 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 IMAC. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. IMAC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* IMAC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by IMAC at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 487,781	100.00

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

**Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (215)
Investments	487,781
Total	<u>\$ 487,566</u>
 <u>Cash and investments per statement of net assets</u>	
Business-type activities	<u>\$ 487,566</u>

**D. Capital Assets**

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

	<u>Balance</u> <u>07/1/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</u>
Capital assets, being depreciated:				
Equipment	\$ 33,302	\$ -	\$ -	\$ 33,302
Less: accumulated depreciation	<u>(10,831)</u>	<u>(4,683)</u>	<u>-</u>	<u>(15,514)</u>
Capital assets	<u>\$ 22,471</u>	<u>\$ (4,683)</u>	<u>\$ -</u>	<u>\$ 17,788</u>

**E. Receivables**

IMAC had the following intergovernmental receivables at June 30, 2011:

Education jobs	\$ 31,705
Title II-D	<u>60</u>
Total	<u>\$ 31,765</u>

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

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

**F. Purchased Services**

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

Professional and technical services	\$ 609,023
Property rental	28,800
Travel and meetings	6,569
Contracted services	5,414
Other	<u>39,022</u>
Total	<u>\$ 688,828</u>

**G. Risk Management**

IMAC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2011, IMAC maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. IMAC provides \$25,000 in bond coverage for the Treasurer through RLI Surety.

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

**H. Contingencies**

**Grants**

IMAC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of IMAC at June 30, 2011.

**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 anticipates no significant adjustments to State funding for fiscal year 2012, as a result of the reviews which have yet to be completed.

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

**I. Service Agreement**

IMAC has contracted with the Sponsor through the 2012 school year. All services are to be provided on a purchased service or reimbursement basis. IMAC paid \$550,436 to the Sponsor for educational, fiscal and administrative services during fiscal year 2011.

**J. Operating Lease - Lessee Disclosure**

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

**K. Pension Plans**

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

**School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and IMAC is required to contribute at an actuarially determined rate. The current IMAC rate is 14 percent of annual covered payroll. A portion of IMAC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. IMAC's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,579, \$736 and \$144, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

**State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. IMAC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

IMAC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$45,560, \$30,321 and \$34,821, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

**L. Postemployment Benefits**

**School Employees Retirement System**

Plan Description - IMAC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

IMAC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$191, \$26 and \$66, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. IMAC's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$102, \$44 and \$12, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

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

**NOTE 20 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)**

**State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. IMAC's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$3,505, \$2,332 and \$2,679, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**NOTE 21 - 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 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 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.

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

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

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

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

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

The service contract for the fiscal year 2011-2012 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor, including, but not limited to, portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum, and educational strategy, as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's "cost of providing such services including, without limitation, employee salaries and fringe benefits, equipment costs if any, and administrative overhead." All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

**A. Significant Accounting Policies**

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***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, 2011

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

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

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

Expenses are recognized at the time they are incurred.

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

**Cash** - Cash held by the Academy is reflected as “cash and cash equivalents” on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2011, investments were limited to repurchase agreements. Investments are reported at fair value which is based on quoted market prices.

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

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

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

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

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

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

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

*Operating Revenues and Expenses* - Operating revenues are those revenues that are generated directly from the Academy's primary activities. 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 American Recovery and Reinvestment Act (ARRA) grants, Education Jobs grant, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the State Public Connectivity grant, the Improving Teacher Quality grant, the 21<sup>st</sup> Century grant, the Federal Title II-D Technology grant, the Federal Title IV-A Safe and Drug-Free Schools grant and the EMIS grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2011 was \$288,097.

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

**B. Change in Accounting Principles**

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

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

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

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

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

**C. Deposits and Investments**

**Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of the Academy’s deposits was \$(36,568) exclusive of the \$102,473 repurchase agreement included in “investments” below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the Academy’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as “investments”. The Academy had a zero bank balance at June 30, 2011.

**Investments**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	<u>\$ 102,473</u>	<u>\$ 102,473</u>

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Academy’s \$102,473 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

*Concentration of Credit Risk:* The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 102,473	100.00

**Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (36,568)
Investments	102,473
Total	<u>\$ 65,905</u>

<u>Cash and investments per statement of net assets</u>	
Business-type activities	<u>\$ 65,905</u>

**D. Capital Assets**

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

	Balance <u>07/1/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
Capital assets, being depreciated:				
Equipment	\$ 7,707	\$ -	\$ -	\$ 7,707
Less: accumulated depreciation	<u>(4,392)</u>	<u>(1,541)</u>	<u>-</u>	<u>(5,933)</u>
Capital assets, net	<u>\$ 3,315</u>	<u>\$ (1,541)</u>	<u>\$ -</u>	<u>\$ 1,774</u>

**E. Receivables**

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

Education jobs	\$ 15,724
Title II-D	52
Improving teacher quality	77
21st century	<u>41,464</u>
Total	<u>\$ 57,317</u>

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

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

**F. Purchased Services**

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

Professional and technical services	\$ 295,106
Property services	28,800
Travel and meetings	34,093
Communications	4,230
Contracted trade	5,274
Pupil transportation	375
Other	<u>146,255</u>
Total	<u>\$ 514,133</u>

**G. Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2011, the Academy maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides the Treasurer \$25,000 of bond coverage through RLI Surety.

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

**H. Contingencies**

**Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

**Litigation**

The Academy is not involved in any litigation.

**State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy has not been reviewed as of June 30, 2011. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2012, as a result of the reviews which have yet to be completed.

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

**I. Service Agreement**

The Academy has contracted with the Sponsor to manage its operations for school years 2005 through 2011. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$314,926 in fiscal year 2011 to the Sponsor for educational and administrative services.

**J. Operating Lease - Lessee Disclosure**

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

**K. Pension Plans**

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

**School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,199, \$4,209 and \$1,922, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

**State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$23,665, \$34,826 and \$31,050, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

**L. Postemployment Benefits**

**School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$266, \$151 and \$880, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$141, \$250 and \$159, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MANSFIELD CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 21 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)**

**State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,820, \$2,679 and \$2,388, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

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

The service contract for the fiscal year 2011-2012 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited to, portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's "cost of providing such services including, without limitation, employee salaries and fringe benefits, equipment costs if any, and administrative overhead". All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

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

**A. Significant Accounting Policies**

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

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

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 their contract with their sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**Cash** - Cash held by the Academy is reflected as "cash and cash equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2011, investments were limited to repurchase agreements. Investments were reported at fair value which is based on quoted market prices.

**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.

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

**MANSFIELD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

*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.

*Intergovernmental Revenue* - The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the American Recovery and Reinvestment Act (ARRA) grants, the Improving Teacher Quality grant, the Federal Title IV Drug Free Schools grant, the Education Jobs grant, the Title II-D Technology Grant and the EMIS grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2011 was \$54,018.

*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. Change in Accounting Principles**

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

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

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

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

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

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

**C. Deposits and Investments**

**Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of the Academy's deposits was \$(2,866) exclusive of the \$244,582 repurchase agreement included in "investments" below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the Academy's bank accounts. The negative carrying amount of deposits is primarily due to the sweeping of money into overnight repurchase agreements, which are reported as "investments". The Academy had a zero bank balance at June 30, 2011.

**Investments**

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

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

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Academy's \$244,582 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2011:

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

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

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

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

**Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

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

**D. Capital Assets**

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

	Balance <u>07/1/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
Capital assets, being depreciated:				
Equipment	\$ 16,917	\$ -	\$ -	\$ 16,917
Less: accumulated depreciation	<u>(10,149)</u>	<u>(3,384)</u>	<u>-</u>	<u>(13,533)</u>
Capital assets, net	<u>\$ 6,768</u>	<u>\$ (3,384)</u>	<u>\$ -</u>	<u>\$ 3,384</u>

**E. Receivables**

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

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

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

**F. Purchased Services**

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

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

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

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

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

**G. Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2011, the Academy maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides the Treasurer \$25,000 of bond coverage through RLI Surety.

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

**H. Contingencies**

**Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

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

**I. Service Agreement**

The Academy has contracted with the Sponsor to manage its operations for school years 2007 through 2011. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$178,242 to the Sponsor for educational, fiscal and administrative services during fiscal year 2011.

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

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

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

**J. Operating Lease - Lessee Disclosure**

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

**K. Pension Plans**

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

**School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$118, \$460 and \$0, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

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

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

**State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$12,977, \$14,960 and \$11,682, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

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

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

**L. Postemployment Benefits**

**School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$14, \$17 and \$0, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$8, \$27 and \$0, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

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

**NOTE 22 - MANSFIELD ELECTIVE ACADEMY - (Continued)**

**State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$998, \$1,151 and \$899, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Passed Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$528,500	\$7,434	\$528,500	\$7,434
National School Lunch Program	10.555	N/A	<u>1,296,242</u>	<u>141,256</u>	<u>1,296,242</u>	<u>141,256</u>
Total Child Nutrition Cluster			<u>1,824,742</u>	<u>148,690</u>	<u>1,824,742</u>	<u>148,690</u>
<b>Total Child Nutrition Cluster/U.S. Department of Agriculture</b>			<u>1,824,742</u>	<u>148,690</u>	<u>1,824,742</u>	<u>148,690</u>
<b>U.S. Department of Education</b>						
<i>(Passed through the Ohio Department of Education)</i>						
Adult Education - Basic Grants to States	84.002	2011	128,638		128,638	
Title I Cluster:						
Title I Grants to Local Educational Agencies	84.010	2010	33,402		65,985	
		2011	56,209		50,961	
		2010	184,432		507,807	
		2011	2,203,720		2,005,800	
		2010			56,583	
		2011	169,983		163,728	
		2010	43,055		22,758	
		2011	<u>93,012</u>		<u>92,515</u>	
Total Title I Grants to Local Educational Agencies			<u>2,783,813</u>		<u>2,966,137</u>	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	27,000			
		2010	68,493		178,117	
		2011	855,249		873,227	
		2010	50,297		6,396	
		2011	47,442		53,030	
		2010	8,951		306	
		2011	<u>25,863</u>		<u>27,987</u>	
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>1,083,295</u>		<u>1,139,063</u>	
Total Title I Cluster			3,867,108		4,105,200	
Special Education Cluster:						
Special Education_Grants to States	84.027	2010			143,855	
		2011	<u>1,114,557</u>		<u>1,173,683</u>	
Total Special Education_Grants to States			<u>1,114,557</u>		<u>1,317,538</u>	
ARRA - Special Education Grants to States, Recovery Act	84.391	2010			78,277	
		2011	<u>537,137</u>		<u>538,924</u>	
Total ARRA - Special Education Grants to States, Recovery Act			<u>537,137</u>		<u>617,201</u>	
Special Education_Preschool Grants	84.173	2010			4,986	
		2011	<u>57,828</u>		<u>56,469</u>	
Total Special Education_Preschool Grants			<u>57,828</u>		<u>61,455</u>	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2011	<u>4,663</u>		<u>7,914</u>	
Total Special Education Cluster			1,714,185		2,004,108	
Career and Technical Education -- Basic Grants to States	84.048	2010			7,225	
		2011	<u>141,898</u>		<u>137,253</u>	
Total Career and Technical Education -- Basic Grants to States			<u>141,898</u>		<u>144,478</u>	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	534		2,815	
		2011	<u>7,282</u>		<u>6,925</u>	
Total Safe and Drug-Free and Communities State Grants			<u>7,816</u>		<u>9,740</u>	
Education for Homeless Children and Youth Cluster:						
Education for Homeless Children and Youth	84.196	2010			1,279	
		2011	<u>45,564</u>		<u>44,053</u>	
Total Education for Homeless Children and Youth			<u>45,564</u>		<u>45,332</u>	

**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Passed Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	2010 2011	7,103		(57) 7,090	
Total ARRA - Education for Homeless Children and Youth, Recovery Act			<u>7,103</u>		<u>7,033</u>	
Total Education for Homeless Children and Youth Cluster			52,667		52,365	
Education Technology State Grants	84.318	2010 2011	2,355 10,069		11,170	
Total Education Technology State Grants			<u>12,424</u>		<u>11,170</u>	
Improving Teacher Quality State Grants	84.367	2010 2011	53,476 387,026		88,479 361,037	
Total Improving Teacher Quality State Grants			<u>440,502</u>		<u>449,516</u>	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	2,312,887		2,312,887	
Education Jobs Fund	84.410	2011	148,013		129,687	
<b>Total U.S. Department of Education</b>			<b>8,826,138</b>		<b>9,347,789</b>	
<b><u>U.S. Department of Health and Human Services</u></b> (Passed through the Ohio Department of Developmental Disabilities )						
Medical Assistance Program	93.778	N/A	5,848			
<b>Totals</b>			<b><u>\$10,656,728</u></b>	<b><u>\$148,690</u></b>	<b><u>\$11,172,531</u></b>	<b><u>\$148,690</u></b>

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

**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2012, wherein we noted the District is experiencing certain financial difficulties. In addition, we noted the District restated its governmental funds' fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2011-001 through 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 13, 2012.

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

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



**Dave Yost**  
Auditor of State

January 13, 2012



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Mansfield City School District, Richland County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Mansfield City School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the Mansfield Enhancement Academy, the Mansfield Elective Academy, and Interactive Media and Construction, Inc., which received \$245,504, \$58,690, and \$135,157, respectively, in federal awards which are not included in the District's Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2011. Our audit of Federal awards, described below, did not include the operations of Mansfield Enhancement Academy, the Mansfield Elective Academy, and Interactive Media and Construction, Inc., because these component units each expended less than \$500,000 in federal expenditures during year ended June 30, 2011 and were not required to have A-133 Single Audits.

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

In our opinion, Mansfield City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2011-004.

### Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2011-004. A *significant deficiency*, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 13, 2012.

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



**Dave Yost**  
Auditor of State

January 13, 2012

**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Cluster, CFDA 84.010 and 84.389; Special Education Cluster, CFDA 84.027, 84.391, 84.173, and 84.392; Education Jobs Fund, CFDA 84.410; ARRA - State Fiscal Stabilization Fund, CFDA 84.394.
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$339,637 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2011-001**

Noncompliance Finding/Significant Deficiency

**Deposit of Public Funds:**

**Ohio Rev. Code Section 117.01(C)** defines “public money” as any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office. **Ohio Rev. Code Section 9.39** indicates all public officials are liable for all public money received or collected by them or by their subordinates under color of office. Additionally, **Ohio Rev. Code Section 9.38** indicates public monies should be deposited with the Fiscal Officer (Treasurer) or designated depository within 24 hours of collection and requires that monies be deposited on the next business day if the daily receipt amounts exceed \$1,000. If the total amount of the public moneys received does not exceed \$1,000, the person shall deposit the moneys within 24 hours of the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.

**Ohio Rev. Code 149.351(A)** indicates all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Prior to fiscal year 2011, the concession stands at District sporting events were operated by a private not-for-profit booster club organization. During fiscal year 2011, due to the booster club re-organizing, several District employees (athletic coaches) were placed in charge of running the concession stands. Management informed us the proceeds and related purchases for these concession stand operations were not deposited into the District's bank account nor accounted for in the District's accounting records. Due to the lack of supporting documentation, we were unable to determine the amounts of related receipts and disbursements which were omitted from the District's financial statements due to this concession stand activity, however, based on performing alternative procedures, we do not believe this activity would be material to the District's financial statements.

Pursuant to Ohio Rev. Code Section 117.01(C) and 9.39 all funds collected by coaches or employees of the District in connection with their duties (i.e under “color of office”) constitute “public funds” and should have been deposited with the District Treasurer or into a designated depository. Additionally, pursuant to Ohio Rev. Code Section 149.351(A), all supporting documents for these transactions should be retained and not be removed from the custody of the District.

**FINDING NUMBER 2011-001 (continued)**

The District should ensure all receipts and disbursements of “public funds”, collected by any District employee, are deposited pursuant to Ohio Rev. Code Section 9.38, and should ensure these transactions are included in the Districts accounting records and annual financial statements. Additionally, the District should ensure all public records are properly maintained and retained in the District's custody. These procedures should reduce the risk of fraud or misuse of public funds, and help ensure more accurate and complete financial reporting.

**Officials’ Response:** A resolution to separate from the private not-for-profit Mansfield Tyger All Sports Booster Club was passed by the Mansfield City Schools Board of Education December 21, 2010. The Mansfield Board of Education requested a final accounting and turnover of all funds raised and any assets accumulated on behalf of the Mansfield City Schools athletic programs. The club refused to provide financial documentation and financial oversight of the club. Since the separation from the club the case has gone to the Attorney Generals’ office to be determined.

**FINDING NUMBER 2011-002**

Noncompliance Finding

**Budgetary Reports:**

**Ohio Admin. Code Section 117-2-02(c)(1)** requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This includes designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Appropriations posted to the District’s computerized budgetary reports did not always agree to the District’s year-end Annual Appropriation Measure, and estimated receipts were not posted to the computerized budgetary reports at all. The following variances between the Board approved appropriations and the computerized budgetary reports were noted at year end:

<b>Funds</b>	<b>Appropriations per District’s Records</b>	<b>Approved Appropriations</b>	<b>Variance</b>
001 General	\$53,637,789	\$52,733,369	(\$904,420)
572 Title I	6,388,941	4,273,345	(2,115,596)
002 Debt Service	2,200,500	10,616,014	8,415,514
003 Permanent Improvement	1,888,336	3,614,028	1,725,692
006 Food Service	2,207,900	2,231,915	24,015
009 Uniform School Supply	191,200	192,321	1,121
007 Trust Funds	8,103,000	7,971,244	(131,756)
024 Self Insurance	1,634,210	2,083,104	448,894

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

**Officials’ Response:** Due to the absence of the Treasurer that was employed for the 2010-2011 school year, the computerized budgetary reports to ensure appropriation and estimated receipt amounts were not posted accurately and timely. Moving forward, appropriations will be posted to the computerized budgetary reports and agreed with the District’s year-end annual appropriation measure and estimated receipts. The District will monitor its budget performance and compliance with budgetary laws and regulations.

**FINDING NUMBER 2011-003**

Noncompliance Finding

**Self Insurance Reserves:**

**Ohio Rev. Code Section 9.833** indicates each political subdivision shall reserve funds necessary for an individual or joint self-insurance program in a special fund that may be established for political subdivisions other than an agency or instrumentality pursuant to an ordinance or resolution of the political subdivision and not subject to section 5705.12 of the Revised Code. The political subdivision may allocate the costs of insurance or any self-insurance program, or both, among the funds or accounts established under this division on the basis of relative exposure and loss experience.

The June 30, 2011 Medical Mutual actuary report indicated the District's reserve amount for unpaid claims and terminal administration expense fell short of the range of amounts that should have been reserved, and therefore, did not meet the requirements of Ohio Rev. Code Section 9.833. The District's June 30, 2011 self insurance balance was \$2,697, while the actuary's best estimate was \$677,000.

The District should implement procedures to ensure the self insurance fund carries the required reserve amount to meet unpaid claims and terminal administration expenses.

**Officials' Response:** Due to an unusually large amount of health claims for one Mansfield City School's employee, the District's 2011 self insurance balance was \$2,697 on June 30, 2011. The District raised premiums with an effective date of January 1, 2011. The District has also implemented procedures to ensure the self insurance fund carries the required amount to meet unpaid claims and terminal administration expenses.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2011-004
<b>CFDA Title and Number</b>	CFDA # 84.010 - Title I Grants to Local Educational Agencies
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Questioned Costs/Significant Deficiency

**Severance Payment:**

**2 C.F.R. part 225, App. B 8.g (2)** indicates, in part, severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.

In 2011, a \$23,041 severance payment to a District employee was charged as a direct cost to the Title I Grant instead of an indirect cost. This resulted in administrative expenses which were unallowable and, therefore, a questioned cost of \$23,041.

The District should ensure severance payments from the District using Title I money are charged as indirect costs and allocated to all activities of the governmental unit rather than charging the payment as a direct cost.

**Officials' Response/Corrective Action Plan:**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-004	In 2011 a \$23,041 severance payment to a Mansfield City School District employee was charged as a direct cost to the Title I grant instead of an indirect cost. This transaction was corrected and adjusted to debit the general fund and credit the Title I grant. A second adjustment was made to credit the general fund and debit the Title I grant using other employees who qualified to be paid from Title I funds.	December 31, 2011	Rosetta L. Stephens, Treasurer

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**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2010-001	<b>Finding for Recovery</b> – Ms. Hinson was overpaid \$2,969 while at the District.	No	The finding for Recovery remains unresolved
2010-002	<b>Significant Deficiency – Budgetary Reports</b> – Appropriations and amendments approved by the Board did not agree to appropriations entered into the District's system.	No	Repeated as Finding 2011-002
2010-003 & 2010-005	<b>Noncompliance/Material Weakness – OMB Circular A-133 Compliance Supplement Part 6 and OMB Circular A-87(C)(1)(j)</b> - We were unable to obtain a low control risk assessment over payroll as it relates to allowable cost principles for each major Federal program and internal control over financial reporting due to various conditions such as the District not being able to find supporting documentation, such as contracts, salary notices, or timesheets, and salary amounts were not always able to be recalculated based on the provided contract or salary notice.	Yes	Finding No Longer Valid
2010-004	<b>Questioned Cost – OMB A-87 Section (C) and Ohio Rev. Code Section 3313.24(A)</b> - \$14,669 of the Treasurer's salary was charged to the State Fiscal Stabilization grant.	Yes	Finding No Longer Valid

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

January 13, 2012

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# Dave Yost • Auditor of State

**MANSFIELD CITY SCHOOL DISTRICT**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 2, 2012**