



**Dave Yost • Auditor of State**

**Mansfield City School District  
Richland County, Ohio**

**Financial Forecast  
For the Fiscal Year Ending June 30, 2014**

**Local Government Services Section**



Mansfield City School District  
Richland County

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# Dave Yost • Auditor of State

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

and

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

## CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Mansfield City School District, Richland County, Ohio, and issued a report dated February 6, 2014. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2014 of \$3,685,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2015 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2014, and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2014.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

DAVE YOST  
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith  
Chief of Local Government Services

March 6, 2014

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# Dave Yost • Auditor of State

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

## **Independent Accountant's Report**

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Mansfield City School District for the fiscal year ending June 30, 2014. The Mansfield City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2011, 2012, and 2013 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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DAVE YOST  
Auditor of State

February 6, 2014

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Mansfield City School District  
 Richland County  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Years Ended June 30, 2011 Through 2013 Actual;  
 For the Fiscal Year Ending June 30, 2014 Forecasted  
 General Fund

	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Forecasted
<b>Revenues</b>				
General Property Taxes	\$14,883,000	\$16,871,000	\$13,185,000	\$13,519,000
Tangible Personal Property Taxes	48,000	6,000	0	0
Unrestricted Grants-in-Aid	27,135,000	28,598,000	29,486,000	29,631,000
Restricted Grants-in-Aid	626,000	543,000	568,000	2,026,000
Restricted Federal Grants-in-Aid - SFSF	2,461,000	830,000	133,000	0
Property Tax Allocation	5,692,000	4,716,000	3,445,000	3,614,000
All Other Revenues	2,949,000	3,536,000	3,004,000	3,173,000
<i>Total Revenues</i>	<u>53,794,000</u>	<u>55,100,000</u>	<u>49,821,000</u>	<u>51,963,000</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Notes	0	0	2,500,000	0
Transfers In	0	122,000	3,400,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>122,000</u>	<u>5,900,000</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>53,794,000</u>	<u>55,222,000</u>	<u>55,721,000</u>	<u>51,963,000</u>
<b>Expenditures</b>				
Personal Services	26,394,000	26,455,000	25,866,000	26,529,000
Employees' Retirement/Insurance Benefits	10,937,000	11,189,000	11,903,000	11,862,000
Purchased Services	14,340,000	14,456,000	15,018,000	17,065,000
Supplies and Materials	771,000	915,000	833,000	923,000
Capital Outlay	333,000	107,000	66,000	361,000
Debt Service:				
Principal-Tax Anticipation Notes	0	0	0	210,000
Interest and Fiscal Charges	0	0	28,000	138,000
Other Objects	623,000	653,000	629,000	589,000
<i>Total Expenditures</i>	<u>53,398,000</u>	<u>53,775,000</u>	<u>54,343,000</u>	<u>57,677,000</u>
<b>Other Financing Uses</b>				
Transfers Out	117,000	1,268,000	250,000	519,000
<i>Total Expenditures and Other Financing Uses</i>	<u>53,515,000</u>	<u>55,043,000</u>	<u>54,593,000</u>	<u>58,196,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	279,000	179,000	1,128,000	(6,233,000)
Cash Balance July 1	1,401,000	1,680,000	1,859,000	2,987,000
Cash Balance (Deficit) June 30	1,680,000	1,859,000	2,987,000	(3,246,000)
<b>Encumbrances</b>				
Actual/Estimated Encumbrances June 30	296,000	370,000	650,000	439,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$1,384,000</u>	<u>\$1,489,000</u>	<u>\$2,337,000</u>	<u>(\$3,685,000)</u>

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

Mansfield City School District  
Richland County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Note 1 – The School District**

The Mansfield City School District (School District) is located in Richland County and includes most of the City of Mansfield. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates ten instructional buildings and an administrative building. The School District employs 378 certified employees and 227 classified employees who provide services to 3,760 students and other community members.

**Note 2 – Nature of the Forecast**

This financial forecast presents, to the best of the Mansfield City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 6, 2014, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 – Nature of the Presentation**

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

**Note 4 – Summary of Significant Accounting Policies**

**Basis of Accounting**

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

Mansfield City School District  
Richland County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Fund Accounting**

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

**Governmental Funds**

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

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

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

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

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

**Proprietary Funds**

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

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

Mansfield City School District  
Richland County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Fiduciary Funds**

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

**Budgetary Process**

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

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

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

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

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

**Note 5 – General Operating Assumptions**

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

Mansfield City School District  
 Richland County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

**Note 6 – Significant Assumptions for Revenues and Other Financing Sources**

**General and Tangible Personal Property Taxes**

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

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2014 (the collection year) for real and public utility property taxes represents collections of 2013 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2015 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2014.

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

Tax Levies	Year Approved	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$4.40
Continuing Operating	1976	1977	n/a	26.40
Continuing Operating	1983	1984	n/a	9.65
Continuing Operating	1991	1992	n/a	5.70
Emergency (\$3,900,000)	2013	2014	2018	10.10
Emergency (\$4,000,000)	2013	2014	2018	10.20
Total Tax Rate				<u>\$66.45</u>

The School District also has levies for bonded debt and permanent improvements totaling \$4.00 per \$1,000 of assessed valuation. The School District’s total tax rate is \$70.45 per \$1,000 of assessed valuation.

Mansfield City School District  
Richland County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate was at \$33.46 per \$1,000 of assessed valuation for collection year 2013, and the effective commercial and industrial real property tax rate was \$44.72 per \$1,000 of assessed valuation for collection year 2013.

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

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amounts shown in the revenue section of the forecast should represent gross property tax revenue and are based upon information provided by the Richland County Auditor. The School District anticipates an increase of \$334,000 in fiscal year 2014 from the prior fiscal year. In fiscal year 2012, the School District received an advance on fiscal year 2013 revenue, causing fiscal year 2013 revenue to be lower. Although voters approved a new emergency levy in November 2013, collections do not begin until January 2014, and an old emergency levy was in place for the first half of fiscal year 2013. Therefore, the fiscal years 2013 and 2014 are fairly comparable, with the exception of the advance taken in fiscal year 2012.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2011 from general business taxpayers and no tangible personal property tax on telephone property was collected in 2012. The School District, based on the last year of collections before the phase out period, lost approximately \$3,400,000 annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

### **Unrestricted Grants-in-Aid**

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount

Mansfield City School District  
Richland County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, school districts were guaranteed 98 percent for 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

In fiscal year 2011, approximately seven percent of the adequacy funding was provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see Restricted Federal Grants-in-Aid) for the School District.

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

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. Based on the most current foundation settlement, the School District estimates \$29,448,000 in foundation funding.

Beginning in fiscal year 2013, the School District started receiving additional unrestricted grants-in-aid revenue due to casino revenue. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. The School District anticipates casino revenue of \$183,000, for a total unrestricted grants-in-aid amount of \$29,631,000.

Mansfield City School District  
Richland County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Restricted Grants-in-Aid**

Restricted grants-in-aid consists of revenue to aid career technologies programs and state poverty based assistance programs. For fiscal year 2014, the School District expects to receive \$391,000 in career technologies monies and \$1,635,000 in State poverty based assistance monies.

**Restricted Federal Grants-in-Aid**

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. These funds have limited restrictions on their use. The School District received \$2,313,000 for fiscal year 2011 and chose to use these funds for teacher salaries. SFSF has not been reauthorized by the Federal government.

In 2010, Congress passed, and the President signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The School District received \$148,000 in fiscal year 2011, \$830,000 in fiscal year 2012, and \$133,000 in fiscal year 2013. The School District has chosen to use these funds for salaries and benefits for teachers. The Education Jobs grant has not been reauthorized by the Federal government.

**Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback revenue is forecast to increase in fiscal year 2014 due to the passage of a five-year emergency levy in the fall of 2013.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. House Bill 153 further accelerated the phase out of tangible personal property tax reimbursements. Reimbursement is based upon a measure of reliance on reimbursement revenue. The reimbursement is calculated by comparing the School District's fiscal year 2011 reimbursement to the total resources of the School District and comparing that to a State-wide threshold percentage. For the School District, the funding was 5.78 percent of the total, and the funding is forecast to continue at a set amount for fiscal year 2014. For fiscal year 2014, the School District anticipates receiving \$1,372,000 of reimbursement for the tangible personal property tax phase out.

Mansfield City School District  
 Richland County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecasted Fiscal Year 2014	Variance
Homestead and Rollback Tangible Personal Property	\$2,292,000	\$2,323,000	\$2,079,000	\$2,242,000	\$163,000
Loss Reimbursement	3,400,000	2,393,000	1,366,000	1,372,000	6,000
<b>Totals</b>	<b>\$5,692,000</b>	<b>\$4,716,000</b>	<b>\$3,445,000</b>	<b>\$3,614,000</b>	<b>\$169,000</b>

**All Other Revenues**

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

Open enrollment tuition revenue is expected to increase slightly in fiscal year 2014. Other tuition includes regular day school for court order students, summer school, and special education and is expected to decrease from fiscal year 2013.

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

The School District sponsors several conversion academies, including the Enhancement Academy, the Interactive Media and Construction Academy (IMAC), and the Elective Academy. Revenue is anticipated from the Interactive Media and Construction Academy to reimburse the School District for services provided for IMAC academy students. Because the receipt of additional revenue to reimburse the School District for services provided the Enhancement Academy and the Elective Academy students is uncertain, forecasted revenue from these academies is limited to what has already been received in fiscal year 2014.

E-rate revenue decreased significantly in fiscal year 2013 due to a loss of priority two funding, but is anticipated to be larger again in fiscal year 2014 with the receipt of both priority one and two funding.

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

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All other revenues consist of the following:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecasted Fiscal Year 2014	Variance Increase (Decrease)
Open Enrollment Tuition	\$411,000	\$625,000	\$670,000	\$702,000	\$32,000
Other Tuition	225,000	365,000	500,000	468,000	(32,000)
Transportation	58,000	61,000	64,000	61,000	(3,000)
Interest	272,000	162,000	123,000	11,000	(112,000)
Rentals	8,000	14,000	28,000	30,000	2,000
Donations	27,000	29,000	24,000	27,000	3,000
Property Tax Exemptions	193,000	194,000	188,000	191,000	3,000
Academy Receipts	94,000	55,000	41,000	48,000	7,000
Enhancement Academy	283,000	306,000	329,000	129,000	(200,000)
Interactive Media and Construction	500,000	292,000	299,000	295,000	(4,000)
Elective Academy	150,000	256,000	250,000	80,000	(170,000)
Sale of Asset	0	21,000	11,000	12,000	1,000
Medicaid Reimbursements	64,000	67,000	75,000	75,000	0
E-Rate	422,000	716,000	136,000	624,000	488,000
Adjustments and RPYE	79,000	224,000	160,000	314,000	154,000
Other	163,000	149,000	106,000	106,000	0
<b>Totals</b>	<b>\$2,949,000</b>	<b>\$3,536,000</b>	<b>\$3,004,000</b>	<b>\$3,173,000</b>	<b>\$169,000</b>

**Other Financing Sources**

Sale of Anticipation Notes – In fiscal year 2013, the sale of anticipation notes provided \$2,500,000. No additional notes are planned for fiscal year 2014.

Transfers In – During fiscal year 2013, a transfer of \$3,400,000 was made from the permanent improvement fund to the general fund. Additional transfers are not anticipated for fiscal year 2014.

**Note 7 – Significant Assumptions for Expenditures and Other Financing Uses**

**Personal Services**

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

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Staffing levels for the past three fiscal years and the current fiscal year are displayed in the chart below. Staffing levels are anticipated to decrease in fiscal year 2014 because of retirements and a reduction in staff.

	2011	2012	2013	2014
General Fund:				
Certified	356	349	389	342
Classified	146	170	173	158
Total General Fund	502	519	562	500
Other Funds				
Certified	70	75	46	36
Classified	93	76	64	69
Total Other Funds	163	151	110	105
Totals	665	670	672	605

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covers the period from July 1, 2010 through June 30, 2014, and allows no increase in base salaries. The contract allows for step increases ranging from 0.75 to 6.5 percent. Certified salaries are forecasted to increase in 2014 due to a combination of factors. Although partially offset by retirements and a reduction in staff, step increases and an extra pay in fiscal year 2014, for a total of 27 pays, both contributed to the increase in certified salaries.

Classified salaries are based on two negotiated contracts which include step increases. The contracts cover fiscal years 2012 through 2014. The contracts allow for no increase in the base salary for the fiscal years and step increases ranging from 0.17 to 7.97 percent for the fiscal years of the contracts. Classified salaries are forecasted to decrease in fiscal year 2014 due to retirements and a reduction in staff, partially offset by step increases and an extra pay in fiscal year 2014. Part of the reduction in staff is due to the outsourcing of the Technology Department in fiscal year 2014.

In fiscal year 2014, substitute salaries are expected to decrease for certified and classified staffing due to the fact that there are fewer positions in the School District, therefore fewer substitutes are needed.

Supplementals are anticipated to increase significantly from the prior fiscal year, mainly due to the payment of some fiscal year 2013 supplementals in fiscal year 2014.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Teachers and classified staff earn sick leave at the rate of one and one-fourth days per month. Upon retirement, qualified classified employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 47 days at their per diem rate. Certified employees receive 26 percent of their accumulated unused sick leave upon retirement. If a certified employee has 200 or more days of unused sick leave at the time of retirement, the employee will receive 30 percent of their accumulated unused sick leave. The severance forecasted for fiscal year 2014 is based on severance already paid in fiscal year 2014 and projected severance payments for staff that have notified the School District of retirement in fiscal year 2014. Fiscal year 2014 has a larger amount of anticipated retirements than in the past due to changes in the State pension system.

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

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance Increase (Decrease)
Certified Salaries	\$20,316,000	\$20,204,000	\$19,694,000	\$20,043,000	\$349,000
Classified Salaries	4,672,000	4,754,000	4,524,000	4,427,000	(97,000)
Substitute Salaries	638,000	853,000	919,000	817,000	(102,000)
Supplemental Salaries	721,000	537,000	464,000	777,000	313,000
Severance Pay	40,000	99,000	256,000	455,000	199,000
Other Salaries and Wages	7,000	8,000	9,000	10,000	1,000
Totals	<u>\$26,394,000</u>	<u>\$26,455,000</u>	<u>\$25,866,000</u>	<u>\$26,529,000</u>	<u>\$663,000</u>

**Employees' Retirement/Insurance Benefits**

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The slight increase that appears on the schedule below for fiscal year 2014 is due to the School District's higher estimated classified salaries. In addition, the School District pays the employee retirement contributions for 29 classified employees and 13 certified employees.

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

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

Coverage:	Effective August 1, 2006	Effective January 1, 2011	Effective April 20, 2012
Family	\$869.00	\$1,043.00	\$1,130.00
Single	358.00	430.00	466.00

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The self-insured healthcare program includes hospital/medical benefits. Rates are based on recommended amounts from the School District's third party administrator. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The healthcare rates increased in fiscal year 2012 and these new rates carried into fiscal year 2013, increasing healthcare costs. This rate remains in effect for fiscal year 2014. A reduction in staff in fiscal year 2014 is anticipated to cause healthcare costs to decrease.

The School District regularly sets aside one percent of salaries to be used to cover the Worker's Compensation bill, which is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. In fiscal year 2013, the School District paid all of the premium for calendar year 2012 in May 2013 and plans to pay all of the premium for calendar year 2013 in May of 2014. The workers' compensation amount for fiscal year 2014 is forecasted to increase from the prior fiscal year due to increased salaries.

Medicare is based on a percentage of wages and is estimated to increase slightly in fiscal year 2014 based on an increase in salaries.

Unemployment is forecast to increase due to more employees leaving the School District and applying for unemployment benefits in fiscal year 2014 compared to fiscal year 2013.

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

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance Increase (Decrease)
Employer's Retirement	\$4,191,000	\$4,198,000	\$4,525,000	\$4,637,000	\$112,000
Health Care/Life Insurance	5,856,000	6,297,000	6,761,000	6,551,000	(210,000)
Workers' Compensation	216,000	212,000	206,000	226,000	20,000
Medicare	327,000	338,000	344,000	353,000	9,000
Unemployment	293,000	94,000	21,000	45,000	24,000
Tuition Reimbursement	54,000	50,000	46,000	50,000	4,000
Totals	<u>\$10,937,000</u>	<u>\$11,189,000</u>	<u>\$11,903,000</u>	<u>\$11,862,000</u>	<u>(\$41,000)</u>

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**Purchased Services**

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

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance Increase (Decrease)
Professional and Technical Services	\$707,000	\$742,000	\$900,000	\$1,581,000	\$681,000
Property Services	266,000	99,000	136,000	183,000	47,000
Travel and Meeting Expenses	26,000	58,000	93,000	54,000	(39,000)
Communication Costs	267,000	224,000	207,000	265,000	58,000
Utility Services	1,465,000	1,334,000	1,026,000	1,301,000	275,000
Printing	33,000	26,000	29,000	44,000	15,000
Tuition Payments	621,000	874,000	503,000	618,000	115,000
Open Enrollment	1,306,000	1,642,000	1,765,000	2,209,000	444,000
Community School	6,953,000	6,801,000	7,372,000	7,912,000	540,000
Post Secondary	2,413,000	1,953,000	2,182,000	2,183,000	1,000
Special Education	44,000	53,000	77,000	77,000	0
Excess Costs	44,000	425,000	520,000	567,000	47,000
Other Purchased Services	195,000	225,000	208,000	71,000	(137,000)
Totals	<u>\$14,340,000</u>	<u>\$14,456,000</u>	<u>\$15,018,000</u>	<u>\$17,065,000</u>	<u>\$2,047,000</u>

Professional and technical services are expected to increase in fiscal year 2014 from fiscal year 2013 due to costs associated with outsourcing the Technology Department. Utility services are expected to increase in fiscal year 2014 from fiscal year 2013 due to the harshness of the current winter as compared to the prior fiscal year's more mild winter.

The School District has seen an increase in open enrollment and community school enrollment and a consistent increase in special needs students. The costs associated with these increases are the cause of increased tuition, open enrollment and community school expenditures forecasted.

Other purchased services have dropped from prior fiscal years because information technology costs now come out of professional and technical services as a result of outsourcing the Technology Department.

**Supplies and Materials**

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

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$336,000	\$353,000	\$359,000	\$360,000	\$1,000
Operations, Maintenance and Repair	433,000	527,000	467,000	552,000	85,000
Textbooks	2,000	35,000	7,000	11,000	4,000
Totals	<u>\$771,000</u>	<u>\$915,000</u>	<u>\$833,000</u>	<u>\$923,000</u>	<u>\$90,000</u>

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Operations, maintenance and repairs are expected to increase in fiscal year 2014 due to costs related to tearing down a building and replacing supplies that were destroyed in the building due to lack of heating. Textbook expenditures are projected to increase in fiscal year 2014 due to the need to replace books and provide for the Spanish Immersion School.

**Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2014, the School District is forecasting approximately \$361,000 in equipment expenditures, which are mainly related to computer and other technological equipment that were purchased from the general fund in order to be eligible for e-rate reimbursement. The School District has a permanent improvement fund which it uses to make most capital expenditures, which are limited to bus purchases and necessary repair and maintenance costs related to maintaining all buildings in current use within the School District. The School District has tried to limit capital purchases from the general fund and plans to continue to use the permanent improvement fund for a majority of capital related purchases.

**Debt Service**

Debt service payments in the General Fund are related to principal and interest on Tax Anticipation Notes and interest on Energy Conservation Notes. Principal payments on the Energy Conservation Notes begin in fiscal year 2015. In fiscal year 2014, the School District expects to pay principal in the amount of \$210,000 and interest in the amount of \$138,000 in accordance with the debt amortization schedules.

**Other Objects**

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$589,000 for fiscal year 2014, which is lower than the prior fiscal year amount primarily due to projected lower insurance premiums and a sharp decrease in bank charges related to the closing of the investment account. Auditor fees are projected to increase as a result of the levy that was passed in November of 2013.

**Operating Transfers and Advances Out**

For fiscal year 2014, \$519,000 in transfers is anticipated to be made to the self-insurance fund to cover a projected fund deficit. In prior fiscal years, transfers were made to the self-insurance fund.

**Note 8 – Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditures at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended 2014 are expected to be \$439,000.

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**Note 9 – Capital Acquisition and Improvements Set-Aside**

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

The set-aside amount is approximately \$598,000 for fiscal year 2014. Annual offsets are anticipated from the permanent improvement and classroom facilities maintenance levies. These offsets exceed the required set-aside amount in fiscal year 2014; therefore, no reserve amount is anticipated for the forecast period.

**Note 10 – Pending Litigation**

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

**Note 11 – Levies**

Since 2004, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
March 2, 2004	Current Expense	6.8 mills	Continuing	Failed
November 2, 2004	Current Expense	6.8 mills	Continuing	Failed
November 9, 2005	Emergency	\$4,100,000	5 Years	Failed
May 2, 2006	Emergency	6,350,000	5 Years	Failed
May 8, 2007	Emergency	4,000,000	5 Years	Failed
November 6, 2007	Emergency (Renewal)	4,000,000	5 Years	Passed
March 4, 2008	Emergency (Renewal)	3,900,000	5 Years	Passed
November 6, 2012	Emergency (Renewal)	4,000,000	5 Years	Failed
May 7, 2013	Emergency (Renewal)	3,900,000	5 Years	Passed
November 5, 2013	Emergency	4,000,000	5 Years	Passed

**Note 12 - Employee Benefits Self-Insurance Fund**

The School District provides hospital/medical benefits through a self-insurance program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of \$150,000 per person, per fiscal year. The School District anticipates the costs of claims to increase in fiscal year 2014, based on the current trend. The School District anticipates the premiums during the forecast period will not be

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sufficient to cover the claims and administrative costs; therefore, a transfer from the general fund to the self-insurance fund is anticipated during fiscal year 2014. The third-party administrator recommends that the School District maintain a reserve in the internal service fund of approximately \$648,000, however, the School District anticipates no reserve at the end of fiscal year 2014.

**Note 13 - Other Funds**

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

**Note 14 – Financial Planning and Supervision Commission**

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

**Note 15 – Information Related to Periods Beyond the Forecast Period**

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October 2013 covered fiscal years 2014 through 2018 and assumes the continued operation of the School District with a decrease in revenues due to the failure of a renewal emergency levy in November 2012. The plan assumes no significant staff changes for fiscal years 2014 through 2018. At that time, the School District anticipated a deficit of \$6,529,000 for fiscal year 2014 and an accumulated deficit of \$40,112,000 by the end of fiscal year 2018 if no new levies were passed. Since then, the levy in November 2013 passed and an updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2014 and will cover fiscal years 2014 through 2018, reflecting that change in assumption.

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

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# Dave Yost • Auditor of State

**MANSFIELD CITY SCHOOL DISTRICT**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2014**