



Dave Yost • Auditor of State

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	24
Statement of Fiduciary Net Position – Proprietary Funds.....	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Net Position – Fiduciary Funds.....	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	29
Notes to the Basic Financial Statements	31
Federal Awards Receipts and Expenditures Schedule.....	93
Notes to the Federal Awards Receipts and Expenditures Schedule	94
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	95
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A133	97
Schedule of Findings.....	101
Corrective Action Plan.....	101
Independent Accountants’ Report on Applying Agreed-Upon Procedures.....	101

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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 the Mansfield City School District, Richland County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 the Mansfield City School District, Richland County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20, the Government has suffered recurring losses from operations and has a net position deficiency. The District was placed in Fiscal Emergency by the Auditor of State on December 17, 2013. Note 20 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

As discussed in Note 21, the District's sponsor agreement with the Mansfield Elective Academy, Mansfield Enhancement Academy, and Interactive Media and Construction ended on June 30, 2014. The Ohio Department of Education became the new sponsor on July 1, 2014. Therefore, these Academies will no longer be component units of the District. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 4, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$1,287,823 which represents a 2.90% decrease from 2013.
- General revenues accounted for \$48,047,995 in revenue or 75.65% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$15,468,426 or 24.35% of total revenues of \$63,516,421.
- The District had \$64,804,244 in expenses related to governmental activities only \$15,468,426 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 \$48,047,995 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 \$53,132,257 in revenues and other financing sources and \$55,045,776 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance decreased \$1,913,519 from a deficit balance of \$3,169,418 to a deficit of \$5,082,937.
- The debt service fund had \$681,576 in revenues and other financing sources and \$1,479,040 in expenditures and other financing uses. The debt service fund's fund balance decreased \$797,464 from \$3,827,465 to \$3,030,001.

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 position* 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, 2014
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets plus deferred outflows, liabilities plus deferred inflows, 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 position* and changes in those assets. This change in net position 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 position 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 position and statement of activities can be found on pages 17-19 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 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position 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 20-24 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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 25-27 of this report.

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 position and changes in fiduciary net position on pages 28 and 29. 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 31-92 of this report.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. A comparative analysis for government-wide financial statements using the full accrual basis of accounting is presented below.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 31,767,497	\$ 28,867,938
Capital assets, net	<u>51,917,339</u>	<u>51,159,465</u>
Total assets	<u>83,684,836</u>	<u>80,027,403</u>
<u>Deferred outflows of resources</u>	<u>601,194</u>	<u>691,981</u>
<u>Liabilities</u>		
Current liabilities	7,031,058	9,731,101
Long-term liabilities	<u>22,715,489</u>	<u>20,661,223</u>
Total liabilities	<u>29,746,547</u>	<u>30,392,324</u>
<u>Deferred inflows of resources</u>	<u>11,544,421</u>	<u>6,044,175</u>
<u>Net Position</u>		
Net investment in capital assets	40,338,908	37,550,768
Restricted	3,481,565	6,757,679
Unrestricted (deficit)	<u>(825,411)</u>	<u>(25,562)</u>
Total net position	<u>\$ 42,995,062</u>	<u>\$ 44,282,885</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows exceeded liabilities plus deferred inflows by \$42,995,062.

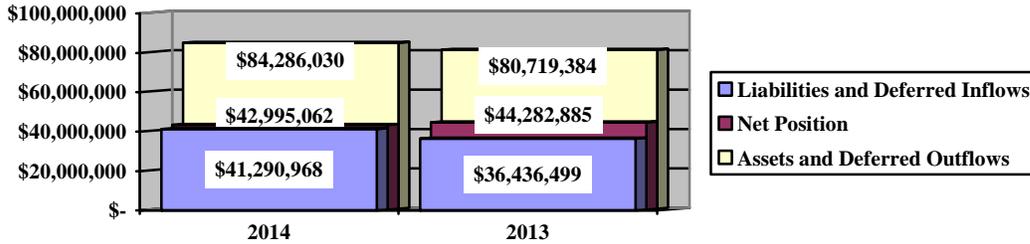
At year-end, capital assets represented 62.04% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets as of June 30, 2014, was \$40,338,908. These capital assets are 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 position, \$3,481,565, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$825,411.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Governmental Activities



The table below shows the change in net position for fiscal year 2014 and 2013.

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,777,647	\$ 1,942,484
Operating grants and contributions	13,686,479	11,689,284
Capital grants and contributions	4,300	3,801
General revenues:		
Property taxes	15,281,684	15,348,998
Grants and entitlements	31,343,049	30,697,183
Investment earnings	21,337	16,273
Other	<u>1,401,925</u>	<u>1,383,271</u>
Total revenues	<u>\$ 63,516,421</u>	<u>\$ 61,081,294</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 16,971,859	\$ 17,989,402
Special	10,275,409	8,808,421
Vocational	1,261,687	1,053,827
Adult	349,978	398,364
Other	13,402,130	12,844,720
Support services:		
Pupil	3,345,154	3,138,452
Instructional staff	665,850	2,831,811
Board of education	17,330	23,839
Administration	3,131,335	3,600,625
Fiscal	1,095,305	1,027,979
Business	617,594	517,173
Operations and maintenance	3,048,091	6,134,727
Pupil transportation	2,722,278	2,263,533
Central	1,902,232	2,390,171
Operation of non-instructional services:		
Other non-instructional services	2,265,964	2,310,622
Food service operations	2,184,074	2,106,627
Extracurricular activities	786,484	777,171
Interest and fiscal charges	<u>761,490</u>	<u>890,721</u>
Total expenses	<u>64,804,244</u>	<u>69,108,185</u>
Change in net position	(1,287,823)	(8,026,891)
Net position at beginning of year	<u>44,282,885</u>	<u>52,309,776</u>
Net position at end of year	<u>\$ 42,995,062</u>	<u>\$ 44,282,885</u>

Governmental Activities

Net position of the District's governmental activities decreased \$1,287,823, despite significant reductions in expenses and increases in operating grants. Total governmental expenses of \$64,804,244 were offset by program revenues of \$15,468,426 and general revenues of \$48,047,995. Program revenues supported 23.87% of the total governmental expenses.

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 73.41% of total governmental revenue.

The largest expense of the District is for instructional programs.

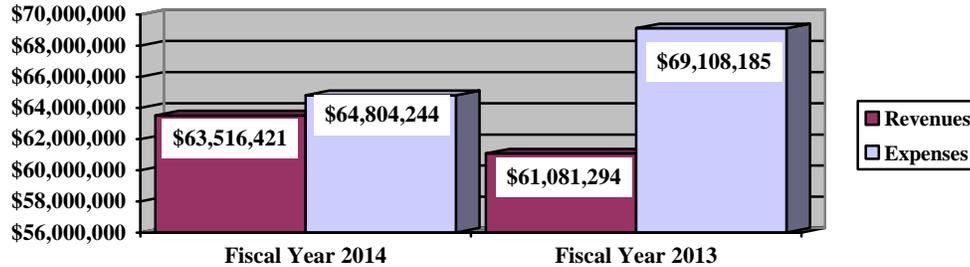
Instruction expenses totaled \$42,261,063 or 65.21% of total governmental expenses for fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 16,971,859	\$ 15,088,132	\$ 17,989,402	\$ 16,407,009
Special	10,275,409	2,198,649	8,808,421	3,168,645
Vocational	1,261,687	805,928	1,053,827	543,180
Adult	349,978	59,402	398,364	142,342
Other	13,402,130	13,331,504	12,844,720	12,694,276
Support services:				
Pupil	3,345,154	3,115,736	3,138,452	2,978,159
Instructional staff	665,850	380,204	2,831,811	1,976,377
Board of education	17,330	17,330	23,839	23,839
Administration	3,131,335	2,912,003	3,600,625	3,255,607
Fiscal	1,095,305	1,044,184	1,027,979	983,204
Business	617,594	617,594	517,173	517,173
Operations and maintenance	3,048,091	3,013,785	6,134,727	6,081,394
Pupil transportation	2,722,278	2,638,483	2,263,533	2,156,671
Central	1,902,232	1,231,159	2,390,171	1,647,201
Operations of non-instructional services:				
Other non-instructional services	2,265,964	1,592,651	2,310,622	1,680,892
Food service operations	2,184,074	32,709	2,106,627	(136,175)
Extracurricular activities	786,484	494,875	777,171	462,101
Interest and fiscal charges	761,490	761,490	890,721	890,721
Total expenses	<u>\$ 64,804,244</u>	<u>\$ 49,335,818</u>	<u>\$ 69,108,185</u>	<u>\$ 55,472,616</u>

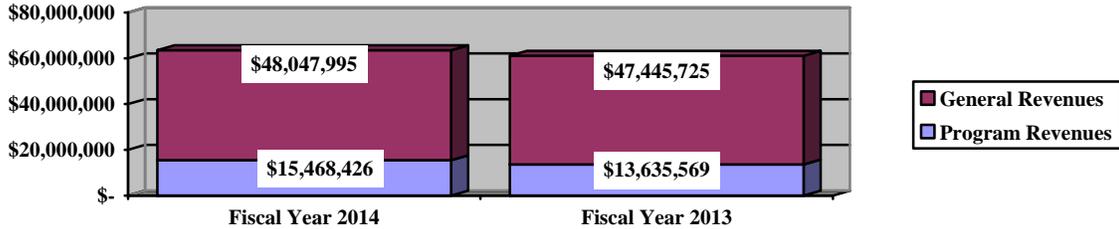
The dependence upon tax and other general revenues for governmental activities is apparent, 74.50% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.13%. The District's taxpayers and unrestricted grants and entitlements from the State, are the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined deficit fund balance of \$52,354, which is lower than last year's total of \$3,843,138. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance (deficit) <u>June 30, 2014</u>	Fund Balance (deficit) <u>June 30, 2013</u>	<u>(Decrease)</u>
General	\$ (5,082,937)	\$ (3,169,418)	\$ (1,913,519)
Debt Service	3,030,001	3,827,465	(797,464)
Other Governmental	<u>2,000,582</u>	<u>3,185,091</u>	<u>(1,184,509)</u>
Total	<u>\$ (52,354)</u>	<u>\$ 3,843,138</u>	<u>\$ (3,895,492)</u>

General Fund

The District's general fund balance decreased \$1,913,519. The table that follows assists in illustrating the financial activities and fund balance of the general fund. The general fund had a \$2,290,000 tax anticipation note and a \$3,685,000 state solvency loan that was used for current operations. This note and solvency loan are reported as fund liabilities of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

	2014 <u>Amount</u>	2013 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 14,378,078	\$ 13,781,425	4.33 %
Tuition	1,152,781	1,175,359	(1.92) %
Earnings on investments	22,664	25,317	(10.48) %
Intergovernmental	36,253,729	33,577,988	7.97 %
Other revenues	<u>1,311,992</u>	<u>1,738,845</u>	(24.55) %
Total	<u>\$ 53,119,244</u>	<u>\$ 50,298,934</u>	5.61 %
<u>Expenditures</u>			
Instruction	\$ 37,008,790	\$ 37,020,870	(0.03) %
Support services	14,482,554	17,155,121	(15.58) %
Operation of non-instructional services	1,601,927	1,580,116	1.38 %
Extracurricular activities	649,316	660,292	(1.66) %
Debt service	<u>140,189</u>	<u>57,765</u>	142.69 %
Total	<u>\$ 53,882,776</u>	<u>\$ 56,474,164</u>	(4.59) %

The District was declared to be in a state of "Fiscal Emergency" on December 17, 2013. This resulted in the establishment of a Financial Planning and Supervision Commission. The District enacted significant cuts to spending, which resulted in 4.59% reduction in expenditures from fiscal year 2013 to 2014. The District's decrease in other revenues was a result of revenue not received from the three component units during fiscal year 2014 for services provided by the District. The District is seeking to receive this revenue during fiscal year 2015.

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 \$49,494,000 and final budgeted revenues and other financing sources were \$56,504,427. The actual revenues and other financing sources for fiscal year 2014 totaled \$57,053,675, which were \$549,248 more than the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) were \$47,244,599 and final budgeted appropriations were \$58,845,594. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$57,963,675, which was \$881,919 lower than the final budgeted appropriations.

Debt Service Fund

The debt service fund balance decreased \$797,464 during the course of fiscal year 2014. The debt service fund had revenues and other financing sources of \$681,576 and expenses and other financing uses of \$1,479,040. The decrease in fund balance was due to principal and interest payments exceeding property tax revenue and intergovernmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$51,917,339 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2014 balances compared to 2013:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 4,935,051	\$ 4,935,051
Construction in Progress	-	2,916,254
Land improvements	4,910,068	1,491,340
Building and improvements	40,275,346	40,329,758
Furniture and equipment	1,152,611	1,199,547
Vehicles	<u>644,263</u>	<u>287,515</u>
Total	<u>\$ 51,917,339</u>	<u>\$ 51,159,465</u>

The overall increase in capital assets of \$757,874 is due to capital outlays of \$2,733,493 exceeding depreciation expense of \$1,975,619 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, 2014, the District had \$18,929,678 in general obligation bonds, notes and loans outstanding. Of this total, \$3,601,471 is due within one year and \$15,328,207 is due in greater than one year. The following table summarizes the bonds and capital lease obligations outstanding.

	Outstanding Debt, at Year End	
	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
Capital lease obligation	\$ -	\$ 12,978
General obligation bonds - 2005	1,865,592	2,686,306
General obligation bonds - 2013	8,187,367	8,204,995
Tax anticipation notes - 2013	2,290,000	2,500,000
State solvency loan - 2014	3,685,000	-
Energy conservation notes	<u>2,901,719</u>	<u>2,901,719</u>
Total	<u>\$ 18,929,678</u>	<u>\$ 16,305,998</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

At June 30, 2014, the District's overall legal debt margin was \$24,867,230 with an unvoted debt margin of \$393,988. See Note 10 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The 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. The Mansfield Board of Education passed a resolution on February 8, 2012 determining the necessity of levying the renewal of the tax in the amount of \$4,000,000 for the November 2012 election. The renewal levy was defeated in the November 2012 election. The District and the Board are determining the necessary actions for the District to remain solvent despite the significant loss of property tax funding for future years. In May 2013, the residents of the District approved the renewal of a 9.8 mill levy that will generate \$390,000 for five years. Voters approved a new levy in November 2013 that will generate \$400,000 per year.

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 24.06% of revenues for governmental activities for the District in fiscal year 2014.

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. The District has not anticipated any meaningful growth in State revenue. The concern is that, the State redistributes state funding based upon each district's property wealth. This has 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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 POSITION
JUNE 30, 2014**

	Primary Government	Component Units		
	Governmental Activities	Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy
Assets:				
Equity in pooled cash and investments.	\$ 9,210,749	\$ 21,884	\$ 608,238	\$ 111,756
Receivables:				
Property taxes	20,266,157	-	-	-
Accounts	228,511	-	-	-
Accrued interest	194	-	-	-
Due from component units.	295,556	-	-	-
Intergovernmental	1,673,427	43,365	3,019	34,840
Prepayments	24,788	2,788	2,833	2,228
Materials and supplies inventory.	68,115	-	-	-
Capital assets:				
Nondepreciable capital assets	4,935,051	-	-	-
Depreciable capital assets, net.	46,982,288	37,321	14,086	6,756
Capital assets, net	51,917,339	37,321	14,086	6,756
Total assets.	<u>83,684,836</u>	<u>105,358</u>	<u>628,176</u>	<u>155,580</u>
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	601,194	-	-	-
Total deferred outflows of resources	<u>601,194</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:				
Accounts payable.	187,178	3,366	6,663	5,521
Contracts payable.	39,076	-	-	-
Accrued wages and benefits payable	4,648,773	-	-	-
Pension obligation payable.	791,323	-	-	-
Intergovernmental payable	311,671	43,585	-	2,052
Accrued interest payable	48,037	-	-	-
Claims payable.	1,005,000	-	-	-
Due to primary government.	-	107,916	92,995	81,345
Long-term liabilities:				
Due within one year.	3,975,528	-	-	-
Due in more than one year.	18,739,961	-	-	-
Total liabilities	<u>29,746,547</u>	<u>154,867</u>	<u>99,658</u>	<u>88,918</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	11,544,421	-	-	-
Total deferred inflows of resources	<u>11,544,421</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position:				
Net investment in capital assets	40,338,908	37,321	14,086	6,756
Restricted for:				
Capital projects	1,264,293	-	-	-
Classroom facilities maintenance	62,754	-	-	-
Debt service.	1,432,986	-	-	-
Locally funded programs	31,541	-	-	-
State funded programs.	86,117	-	-	-
Federally funded programs	43,262	2,572	3,531	35,290
Student activities	66,479	-	-	-
Other purposes	494,133	-	-	-
Unrestricted (deficit)	(825,411)	(89,402)	510,901	24,616
Total net position (deficit).	<u>\$ 42,995,062</u>	<u>\$ (49,509)</u>	<u>\$ 528,518</u>	<u>\$ 66,662</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Instruction:				
Regular	\$ 16,971,859	\$ 946,546	\$ 937,181	\$ -
Special	10,275,409	293,289	7,783,471	-
Vocational	1,261,687	-	455,759	-
Adult/continuing.	349,978	1,249	289,327	-
Other	13,402,130	-	70,626	-
Support services:				
Pupil.	3,345,154	-	229,418	-
Instructional staff	665,850	-	285,646	-
Board of education	17,330	-	-	-
Administration.	3,131,335	-	219,332	-
Fiscal.	1,095,305	-	51,121	-
Business.	617,594	-	-	-
Operations and maintenance	3,048,091	30,006	-	4,300
Pupil transportation.	2,722,278	47,028	36,767	-
Central	1,902,232	-	671,073	-
Operation of non-instructional services:				
Other non-instructional services	2,265,964	-	673,313	-
Food service operations	2,184,074	202,213	1,949,152	-
Extracurricular activities.	786,484	257,316	34,293	-
Interest and fiscal charges	761,490	-	-	-
Total governmental activities	\$ 64,804,244	\$ 1,777,647	\$ 13,686,479	\$ 4,300
Component units				
Mansfield Enhancement Academy.	\$ 553,411	\$ -	\$ 212,566	\$ -
Interactive Media and Construction, Inc.	396,914	-	494,603	-
Mansfield Elective Academy.	368,197	-	244,770	-
Total component units	\$ 1,318,522	\$ -	\$ 951,939	\$ -

General revenues:

Property taxes levied for:

General purposes	
Debt service.	
Capital projects	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	

Total general revenues

Change in net position

Net position at beginning of year.

Net position (deficit) at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government	Component Units		
Governmental Activities	Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy
\$ (15,088,132)	\$ -	\$ -	\$ -
(2,198,649)	-	-	-
(805,928)	-	-	-
(59,402)	-	-	-
(13,331,504)	-	-	-
(3,115,736)	-	-	-
(380,204)	-	-	-
(17,330)	-	-	-
(2,912,003)	-	-	-
(1,044,184)	-	-	-
(617,594)	-	-	-
(3,013,785)	-	-	-
(2,638,483)	-	-	-
(1,231,159)	-	-	-
(1,592,651)	-	-	-
(32,709)	-	-	-
(494,875)	-	-	-
(761,490)	-	-	-
(49,335,818)	-	-	-
-	(340,845)	-	-
-	-	97,689	-
-	-	-	(123,427)
-	(340,845)	97,689	(123,427)
14,803,535	-	-	-
49,584	-	-	-
428,565	-	-	-
31,343,049	156,461	41,027	68,016
21,337	27	526	34
1,401,925	-	5,322	5,586
48,047,995	156,488	46,875	73,636
(1,287,823)	(184,357)	144,564	(49,791)
44,282,885	134,848	383,954	116,453
\$ 42,995,062	\$ (49,509)	\$ 528,518	\$ 66,662

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 3,173,292	\$ 2,998,517	\$ 2,033,118	\$ 8,204,927
Receivables:				
Property taxes	19,147,489	239,463	879,205	20,266,157
Accounts	225,212	-	3,299	228,511
Accrued interest	194	-	-	194
Intergovernmental	690,510	-	982,917	1,673,427
Prepayments	24,788	-	-	24,788
Materials and supplies inventory	42,000	-	26,115	68,115
Due from other funds	111,700	-	-	111,700
Due from component unit	295,556	-	-	295,556
Restricted assets:				
Equity in pooled cash and cash equivalents	4,982	-	-	4,982
Total assets	\$ 23,715,723	\$ 3,237,980	\$ 3,924,654	\$ 30,878,357
Liabilities:				
Accounts payable	\$ 126,763	\$ -	\$ 60,415	\$ 187,178
Contracts payable	-	-	39,076	39,076
Accrued wages and benefits payable	4,003,583	-	645,190	4,648,773
Compensated absences payable	133,780	-	-	133,780
Intergovernmental payable	252,009	-	59,662	311,671
Accrued interest payable	2,415	-	-	2,415
Pension obligation payable	633,937	-	157,386	791,323
Due to other funds	-	-	111,700	111,700
Tax anticipation note payable	2,290,000	-	-	2,290,000
State solvency loan payable	3,685,000	-	-	3,685,000
Total liabilities	\$ 11,127,487	\$ -	\$ 1,073,429	\$ 12,200,916
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	10,907,182	136,408	500,831	11,544,421
Delinquent property tax revenue not available	5,722,809	71,571	262,777	6,057,157
Accrued interest not available	194	-	-	194
Miscellaneous revenue not available	416,810	-	3,000	419,810
Intergovernmental revenue not available	624,178	-	84,035	708,213
Total deferred inflows of resources	\$ 17,671,173	\$ 207,979	\$ 850,643	\$ 18,729,795
Fund balances:				
Nonspendable:				
Materials and supplies inventory	42,000	-	26,115	68,115
Prepays	24,788	-	-	24,788
Restricted:				
Debt service	-	3,030,001	-	3,030,001
Capital improvements	-	-	1,020,580	1,020,580
Classroom facilities maintenance	-	-	54,587	54,587
Food service operations	-	-	539,751	539,751
Non-public schools	-	-	85,991	85,991
Special education	-	-	32,990	32,990
Targeted academic assistance	-	-	116,308	116,308
School bus purchases	4,982	-	-	4,982
Extracurricular	-	-	66,395	66,395
Other purposes	-	-	70,660	70,660
Unassigned (deficit)	(5,154,707)	-	(12,795)	(5,167,502)
Total fund balances (deficit)	(5,082,937)	3,030,001	2,000,582	(52,354)
Total liabilities, deferred inflows and fund balances	\$ 23,715,723	\$ 3,237,980	\$ 3,924,654	\$ 30,878,357

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total governmental fund balances		\$	(52,354)
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			51,917,339
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	6,057,157	
Accounts receivable		419,810	
Accrued interest receivable		194	
Intergovernmental receivable		708,213	
Total		708,213	7,185,374
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 position.			(4,160)
Unamortized premiums on bonds issued are not recognized in the funds.			(847,911)
Unamortized amounts on refundings are not recognized in the funds.			601,194
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(45,622)
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		(10,052,959)	
Compensated absences		(2,804,120)	
Energy conservation notes		(2,901,719)	
Total		(15,758,798)	(15,758,798)
Net position of governmental activities		\$	42,995,062

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, 2014**

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 14,378,078	\$ 188,599	\$ 699,451	\$ 15,266,128
Tuition	1,152,781	-	-	1,152,781
Transportation fees	47,028	-	-	47,028
Earnings on investments	22,664	-	267	22,931
Charges for services	-	-	199,213	199,213
Extracurricular	109,021	-	148,295	257,316
Classroom materials and fees	37,297	-	-	37,297
Rental income	30,006	-	-	30,006
Contributions and donations	31,881	-	5,489	37,370
Contract services	50,131	-	-	50,131
Other local revenues	1,006,628	-	60,631	1,067,259
Intergovernmental - state	35,867,793	492,977	1,298,745	37,659,515
Intergovernmental - federal	385,936	-	7,213,491	7,599,427
Total revenues	53,119,244	681,576	9,625,582	63,426,402
Expenditures:				
Current:				
Instruction:				
Regular	15,227,292	-	1,029,101	16,256,393
Special	7,217,839	-	2,510,492	9,728,331
Vocational	1,137,597	-	77,420	1,215,017
Adult/continuing	83,222	-	264,456	347,678
Other	13,342,840	-	62,618	13,405,458
Support services:				
Pupil	2,971,680	-	253,902	3,225,582
Instructional staff	445,832	-	273,647	719,479
Board of education	18,037	-	-	18,037
Administration	2,735,225	-	256,991	2,992,216
Fiscal	979,215	7,684	102,839	1,089,738
Business	421,452	-	209,152	630,604
Operations and maintenance	3,597,050	-	1,657,746	5,254,796
Pupil transportation	2,149,692	-	445,346	2,595,038
Central	1,164,371	-	742,201	1,906,572
Operation of non-instructional services:				
Other operation of non-instructional	1,601,927	-	634,320	2,236,247
Food service operations	-	-	2,045,405	2,045,405
Extracurricular activities	649,316	-	133,325	782,641
Facilities acquisition and construction	-	-	163,701	163,701
Debt service:				
Principal retirement	-	1,250,000	12,978	1,262,978
Interest and fiscal charges	140,189	221,356	521	362,066
Total expenditures	53,882,776	1,479,040	10,876,161	66,237,977
Deficiency of revenues under expenditures	(763,532)	(797,464)	(1,250,579)	(2,811,575)
Other financing sources (uses):				
Sale/loss of assets	13,013	-	66,070	79,083
Transfers (out)	(1,163,000)	-	-	(1,163,000)
Total other financing sources (uses)	(1,149,987)	-	66,070	(1,083,917)
Net change in fund balances	(1,913,519)	(797,464)	(1,184,509)	(3,895,492)
Fund balances (deficit) at beginning of year	(3,169,418)	3,827,465	3,185,091	3,843,138
Fund balances (deficit) at end of year	\$ (5,082,937)	\$ 3,030,001	\$ 2,000,582	\$ (52,354)

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, 2014**

Net change in fund balances - total governmental funds	\$	(3,895,492)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 2,733,493	
Current year depreciation	(1,975,619)	
Total		757,874
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	15,556	
Tuition	875	
Earnings on investments	(1,351)	
Classroom materials and fees	233	
Food service	3,000	
Other revenues	415,702	
Intergovernmental	(71,375)	
Total		362,640
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 position. Principal payments during the year were:		
Bonds	1,250,000	
Capital leases	12,978	
Total		1,262,978
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:		
Increase in accrued interest payable	(17,296)	
Accreted interest on capital appreciation bonds	(411,658)	
Amortization of bond premiums	120,317	
Amortization of deferred charges	(90,787)	
Total		(399,424)
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.		
		304,297
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.		
		319,304
Change in net position of governmental activities	\$	(1,287,823)

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 12,836,351	\$ 14,636,531	\$ 14,650,596	\$ 14,065
Tuition	877,001	1,018,000	1,147,505	129,505
Transportation fees	38,945	45,000	49,276	4,276
Earnings on investments	8,823	10,000	9,581	(419)
Rental income	16,352	20,000	29,692	9,692
Contributions and donations	20,690	23,200	20,425	(2,775)
Contract services	46,840	53,000	50,131	(2,869)
Other local revenues	922,450	1,015,000	753,207	(261,793)
Intergovernmental - state	30,894,450	35,297,825	35,836,438	538,613
Intergovernmental - federal	232,913	275,508	346,653	71,145
Total revenues	<u>45,894,815</u>	<u>52,394,064</u>	<u>52,893,504</u>	<u>499,440</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,977,895	17,307,215	16,483,421	823,794
Special	6,394,136	7,099,347	7,253,750	(154,403)
Vocational	874,663	990,980	1,167,353	(176,373)
Other	8,489,509	13,371,452	13,457,349	(85,897)
Support services:				
Pupil	2,308,811	3,079,696	3,145,763	(66,067)
Instructional staff	762,509	777,019	641,037	135,982
Board of education	20,763	22,514	17,829	4,685
Administration	2,708,098	3,025,878	2,877,407	148,471
Fiscal	906,935	1,036,564	1,018,285	18,279
Business	460,003	521,102	432,992	88,110
Operations and maintenance	3,780,008	4,150,726	3,933,155	217,571
Pupil transportation	1,900,235	2,117,290	2,241,634	(124,344)
Central	1,406,359	1,489,819	1,467,534	22,285
Other operation of non-instructional services	1,612,316	1,964,353	1,787,155	177,198
Extracurricular activities	328,774	380,639	528,237	(147,598)
Debt service:				
Principal retirement	189,381	210,000	210,000	-
Interest and fiscal charges	124,204	138,000	137,774	226
Total expenditures	<u>47,244,599</u>	<u>57,682,594</u>	<u>56,800,675</u>	<u>881,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,349,784)</u>	<u>(5,288,530)</u>	<u>(3,907,171)</u>	<u>1,381,359</u>
Other financing sources (uses):				
Refund of prior year's expenditures	351,476	408,263	462,158	53,895
Transfers out	-	(1,163,000)	(1,163,000)	-
Sale of capital assets	15,501	17,100	13,013	(4,087)
State solvency assistance loan	3,232,208	3,685,000	3,685,000	-
Total other financing sources (uses)	<u>3,599,185</u>	<u>2,947,363</u>	<u>2,997,171</u>	<u>49,808</u>
Net change in fund balance	2,249,401	(2,341,167)	(910,000)	1,431,167
Fund balance at beginning of year	2,336,586	2,336,586	2,336,586	-
Prior year encumbrances appropriated	649,595	649,595	649,595	-
Fund balance at end of year	<u>\$ 5,235,582</u>	<u>\$ 645,014</u>	<u>\$ 2,076,181</u>	<u>\$ 1,431,167</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	<u>Governmental Activities - Internal Service Funds</u>
Assets:	
Equity in pooled cash and investments.	\$ 1,000,840
Total assets.	<u>1,000,840</u>
Liabilities:	
Claims payable	<u>1,005,000</u>
Total liabilities	<u>1,005,000</u>
Net position:	
Unrestricted (deficit).	<u>(4,160)</u>
Total net position (deficit).	<u><u>\$ (4,160)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Funds
Operating revenues:	
Sales/charges for services	\$ 8,039,910
Total operating revenues	<u>8,039,910</u>
Operating expenses:	
Purchased services	1,214,328
Claims	<u>7,669,278</u>
Total operating expenses	<u>8,883,606</u>
Operating loss	<u>(843,696)</u>
Transfer in	<u>1,163,000</u>
Change in net position	319,304
Net position at beginning of year (deficit) . .	<u>(323,464)</u>
Net position at end of year (deficit)	<u><u>\$ (4,160)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 8,039,910
Cash payments for contractual services	(1,214,328)
Cash payments for claims	(7,243,278)
	(417,696)
Cash flows from noncapital financing activities:	
Cash received from transfers in	1,163,000
	1,163,000
Net cash provided by noncapital financing activities.	1,163,000
Net increase in cash and investments.	745,304
Cash and investments at beginning of year . . .	255,536
Cash and investments at end of year	\$ 1,000,840
	1,000,840
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (843,696)
Changes in assets and liabilities:	
Increase in claims payable	426,000
	426,000
Net cash used in operating activities.	\$ (417,696)
	(417,696)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 26,525	\$ 27,560
Receivables:		
Accounts	-	395
Total assets.	<u>26,525</u>	<u>\$ 27,955</u>
Liabilities:		
Due to students.	-	\$ 27,955
Total liabilities.	<u>-</u>	<u>\$ 27,955</u>
Net position:		
Held in trust for scholarships	<u>26,525</u>	
Total net position.	<u>\$ 26,525</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 375 certified employees and 219 non-certified employees who provide services to 3,635 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.

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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2014
(Continued)**

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 40 Hill Road South, Pickerington, Ohio 43147. Information about this component unit is presented in Note 23 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 40 Hill Road South, Pickerington, Ohio 43147. Information about this component unit is presented in Note 22 to the basic financial statements.

The Mansfield Elective Academy

The Mansfield Elective Academy (the "Elective Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The Elective Academy is a conversion community school that addresses the needs 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 Elective Academy at 40 Hill Road South, Pickerington, Ohio 43147. Information about this component unit is presented in Note 24 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, 2014
(Continued)**

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

JOINTLY GOVERNED ORGANIZATION

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2014, the District paid \$578,032 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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 position.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, and all liabilities deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows 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 inflows of resources.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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.

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 expenses of the District. The appropriation resolution, at the fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures for general fund, the District has elected to present its respective budgetary statement comparison at the fund and function level of expenditures.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2014, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, U.S. Treasury notes, 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 2014. 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, 2014.

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 2014 amounted to \$22,664, which includes \$15,019 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by 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 position, but are not reported in the fund financial statements.

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

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

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 position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 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. Bond Premium and Discount/Accounting Gain or Loss

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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 a deferred outflow of resources on the statement of net position.

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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.

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 Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for school bus purchases (See Note 18).

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 18 for additional information regarding restricted assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

R. Interfund Activity

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the District had neither type of transaction.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General fund	\$ 5,082,937
 <u>Nonmajor Funds</u>	
Public school preschool	1,106
Adult basic education	11,021
Race to the top	25
Vocational education	534
IDEA Part-B	109

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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;
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,

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014, the carrying amount of all District deposits was \$(343,952), exclusive of the \$9,606,786 in repurchase agreements included in investments. A liability was not recorded for the negative carrying amount of deposits because there was not actual overdraft, due to the "zero-balance" nature of the District'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". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$250,000 of the District's bank balance of \$298,449 was covered by the FDIC while \$48,449 was exposed to custodial risk, as discussed below.

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>
		<u>6 months or less</u>
Repurchase agreement	\$ 9,606,786	\$ 9,606,786
STAR Ohio	2,000	2,000
Total	<u>\$ 9,608,786</u>	<u>\$ 9,608,786</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in federal agency securities that underlie the District's repurchase agreement, were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio 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 \$9,606,786 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 District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 9,606,786	99.98
STAR Ohio	2,000	0.02
Total	<u>\$ 9,608,786</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (343,952)
Investments	<u>9,608,786</u>
Total	<u>\$ 9,264,834</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 9,210,749
Private-purpose trust fund	26,525
Agency funds	<u>27,560</u>
Total	<u>\$ 9,264,834</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers consisted of the following at June 30, 2014, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Internal service fund	\$ <u>1,163,000</u>

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, 2014 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 funds	\$ <u>111,700</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, 2014 are reported on the statement of net position.

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 and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$2,517,498 in the general fund, \$31,484 in the debt service fund (a nonmajor governmental fund), \$107,211 in the permanent improvement fund and \$8,386 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$2,790,016 in the general fund, \$111,324 in the debt service fund (a nonmajor governmental fund), \$253,418 in the permanent improvement fund (a nonmajor governmental fund) and \$39,067 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, 2014 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 deferred inflows.

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 reported as a deferred inflow.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 380,359,140	95.19	\$ 372,944,460	94.66
Public utility personal	<u>19,237,530</u>	<u>4.81</u>	<u>21,043,790</u>	<u>5.34</u>
Total	<u>\$ 399,596,670</u>	<u>100.00</u>	<u>\$ 393,988,250</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$59.95		\$46.73

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and amounts due from component units. 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 position follows:

Governmental activities:

Taxes	\$ 20,266,157
Accounts	228,511
Intergovernmental	1,673,427
Accrued interest	194
Component units	<u>295,556</u>
Total	<u>\$ 22,463,845</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, 2014, was as follows:

	Balance <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,935,051	\$ -	\$ -	\$ 4,935,051
Construction in progress	<u>2,916,254</u>	<u>1,187,044</u>	<u>(4,103,298)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>7,851,305</u>	<u>1,187,044</u>	<u>(4,103,298)</u>	<u>4,935,051</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,637,189	734,100	-	4,371,289
Buildings and improvements	64,129,248	4,099,963	-	68,229,211
Furniture and equipment	9,304,285	376,110	(9,375)	9,671,020
Vehicles	<u>1,946,803</u>	<u>439,574</u>	<u>-</u>	<u>2,386,377</u>
Total capital assets, being depreciated	<u>79,017,525</u>	<u>5,649,747</u>	<u>(9,375)</u>	<u>84,657,897</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,145,849)	(176,604)	-	(2,322,453)
Buildings and improvements	(23,799,490)	(1,293,143)	-	(25,092,633)
Furniture and equipment	(8,104,738)	(423,046)	9,375	(8,518,409)
Vehicles	<u>(1,659,288)</u>	<u>(82,826)</u>	<u>-</u>	<u>(1,742,114)</u>
Total accumulated depreciation	<u>(35,709,365)</u>	<u>(1,975,619)</u>	<u>9,375</u>	<u>(37,675,609)</u>
Governmental activities capital assets, net	<u>\$ 51,159,465</u>	<u>\$ 4,861,172</u>	<u>\$ (4,103,298)</u>	<u>\$ 51,917,339</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 813,226
Special	276,800

Support services:

Pupil	92,958
Administration	162,795
Operations and maintenance	409,537
Pupil Transportation	80,650
Other non-instructional services	20,568
Food service operations	<u>119,085</u>
Total depreciation expense	<u>\$ 1,975,619</u>

NOTE 9 - CAPITAL LEASES

In a prior year, the District entered into a capitalized lease for security equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the permanent improvement fund (a nonmajor governmental fund). These expenditures are reported as function expenditures on the budgetary statements.

The security equipment was below the District's capitalization threshold, so the equipment was not capitalized and the lease obligation is excluded from net position invested in capital assets. Principal payments in fiscal year 2014 totaled \$12,978 by the permanent improvement fund (a nonmajor governmental fund). The lease was paid in full during fiscal year 2014.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2014, the following changes occurred in governmental activities long term obligations:

	Balance Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
General obligation bonds - 2005	\$ 2,686,306	\$ 354,286	\$ (1,175,000)	\$ 1,865,592	\$ 1,053,286
General obligation bonds - 2013	8,204,995	57,372	(75,000)	8,187,367	55,685
Energy conservation notes	2,901,719	-	-	2,901,719	175,000
Tax anticipation notes - 2013	2,500,000	-	(210,000)	2,290,000	475,000
State solvency loan - 2014	-	3,685,000	-	3,685,000	1,842,500
Capital lease obligation	12,978	-	(12,978)	-	-
Compensated absences	<u>3,386,997</u>	<u>240,277</u>	<u>(689,374)</u>	<u>2,937,900</u>	<u>374,057</u>
Total governmental activities	<u>\$ 19,692,995</u>	<u>\$ 4,336,935</u>	<u>\$ (2,162,352)</u>	21,867,578	<u>\$ 3,975,528</u>
Add: unamortized premium				<u>847,911</u>	
Total on statement of net position				<u>\$ 22,715,489</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

General obligation bonds and notes will be paid from the debt service fund. Compensated absences will be paid from the general fund and the following nonmajor governmental funds: auxiliary services, Title VI-B, public preschool, poverty aid, alternative school, Title II-A, preschool handicapped, vocational education, Title I, drug free grant, food service and adult education. See Note 9 for detail on capital lease obligations.

- B.** 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 position. During 2013, the District refunded \$8,205,000 of the current interest bonds.

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 \$1,565,592 has been included in the statement of net position.

The following is a schedule of activity for fiscal year 2014 on the 2005 series refunding bonds:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Current interest bonds	\$ 1,175,000	\$ -	\$ (1,175,000)	\$ -
Capital appreciation bonds	300,000	-	-	300,000
Accreted interest	1,211,306	354,286	-	1,565,592
Total refunding bonds	\$ 2,686,306	\$ 354,286	\$ (1,175,000)	\$ 1,865,592

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.

- C.** On June 24, 2013, the District issued general obligation bonds to advance refund a portion of the Series 2005 current interest bonds. The issuance proceeds of \$8,204,995 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 position.

The refunding issue is comprised of both current interest bonds, par value \$8,195,000, and capital appreciation bonds, par value \$9,995. The capital appreciation bonds mature on December 1, 2014, December 1, 2015 and December 1, 2016 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, 2015 and 2016 are \$145,000, \$145,000 and \$455,000, respectively.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2014 on the 2013 series refunding bonds:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Current interest bonds	\$ 8,195,000	\$ -	\$ (75,000)	\$ 8,120,000
Capital appreciation bonds	9,995	-	-	9,995
Accreted interest	-	57,372	-	57,372
Total refunding bonds	\$ 8,204,995	\$ 57,372	\$ (75,000)	\$ 8,187,367

The reacquisition price exceeded the net carrying amount of the old debt by \$652,567. 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.

D. On December 12, 2012, the District issued \$2,901,719 in energy conservation notes to make energy improvement in accordance with House Bill 264. The notes have an interest rate ranging from 1.0% to 3.5%, with a final maturity date of December 1, 2028.

E. The following is a summary of the future debt service requirements for the District's outstanding debt obligations:

Fiscal Year Ending June 30,	Series 2013 Current Interest Bonds			Series 2013 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ -	\$ 203,143	\$ 203,143	\$ 8,282	\$ 136,718	\$ 145,000
2016	-	203,143	203,143	1,185	143,815	145,000
2017	755,000	197,481	952,481	528	454,472	455,000
2018	1,160,000	180,218	1,340,218	-	-	-
2019	1,130,000	157,318	1,287,318	-	-	-
2020 - 2024	4,475,000	375,666	4,850,666	-	-	-
2025 - 2027	600,000	29,585	629,585	-	-	-
Total	\$ 8,120,000	\$ 1,346,554	\$ 9,466,554	\$ 9,995	\$ 735,005	\$ 745,000

Fiscal Year Ending June 30,	Series 2005 2013 Energy Conservation Notes			Series 2005 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 175,000	\$ 70,015	\$ 245,015	\$ 170,000	\$ 1,000,000	\$ 1,170,000
2016	175,000	67,828	242,828	130,000	985,000	1,115,000
2017	175,000	65,202	240,202	-	-	-
2018	180,000	62,090	242,090	-	-	-
2019	185,000	58,440	243,440	-	-	-
2020 - 2024	906,719	296,861	1,203,580	-	-	-
2025 - 2029	1,105,000	98,801	1,203,801	-	-	-
Total	\$ 2,901,719	\$ 719,237	\$ 3,620,956	\$ 300,000	\$ 1,985,000	\$ 2,285,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. 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, 2014, are a voted debt margin of \$24,867,230 (including available funds of \$3,030,001) and an unvoted debt margin of \$393,988.

NOTE 11 - TAX ANTICIPATION NOTES

On June 19, 2013, the District issued \$2,500,000 in tax anticipation notes to fund general operations. The notes will be repaid with future tax receipts. The notes have a 3.5% interest rate and a final maturity date of October 1, 2018. These notes are a liability of the general fund.

The following is a summary of the future tax anticipation notes outstanding:

Fiscal Year Ending June 30,	2013 Tax Anticipation Notes		
	Principal	Interest	Total
2015	\$ 475,000	\$ 76,038	\$ 551,038
2016	495,000	59,238	554,238
2017	515,000	41,738	556,738
2018	535,000	23,538	558,538
2019	270,000	4,725	274,725
Total	<u>\$ 2,290,000</u>	<u>\$ 205,277</u>	<u>\$ 2,495,277</u>

NOTE 12 - STATE SOLVENCY LOAN

On March 25, 2014, the District received a \$3,685,000 loan from the State of Ohio Solvency Assistance Fund to fund general operations. This loan is no interest and payments are deducted from State foundation twice per month. The final payment is due June 30, 2016. This loan is a liability of the general fund.

The following is a summary of the loan outstanding:

Fiscal Year Ending June 30,	2014 State Solvency Loan		
	Principal	Interest	Total
2015	\$ 1,842,500	\$ -	\$ 1,842,500
2016	1,842,500	-	1,842,500
Total	<u>\$ 3,685,000</u>	<u>\$ -</u>	<u>\$ 3,685,000</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are 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 14 - 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 Netherlands Insurance Company. The deductible is \$10,000 per incident on property and an inland marine equipment schedule with a \$1,000 deductible. All vehicles are also insured with Netherlands Insurance Company and have a \$1,000 collision deductible. All Board members, administrators and employees are covered under a school district liability policy with Netherlands Insurance Company. The limits of this coverage are \$1,000,000 per occurrence with a commercial umbrella policy coverage limit of insurance of \$1,000,000 per each occurrence. The deductible is \$10,000 per claim. The general liability has a limit of \$1,000,000 for each occurrence and the general aggregate limit is \$2,000,000. The Board members and superintendent have a \$20,000 position bond with Travelers Casualty and Surety Insurance Company.

The Treasurer is covered under a bond in the amount of \$200,000 provided by Travelers Casualty and Surety.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 14 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation Rating Plan

The District workers' compensation services are provided by the 1-888 OHIOCOMP Managed Care Organization. 1-888 OHIOCOMP Managed Care Organization is a certified managed care organization serving employers and their injured workers throughout Ohio's 88 counties. The intent of the organization is to provide cost-effective medical management services and exceptional customer service to employers. 1-888 OHIOCOMP Managed Care Organization works with employers to minimize the emotional and financial impact of workers' compensation claims. The organization emphasizes aggressive claims management with a focus on a safe and speedy return to work. They provide personalized customer services that include: workers' compensation, return-to-work focus, on-site employer staffing, claims & claims processes, policy information, discount programs, safety, OSHA & loss prevention injuries and continuing workers' compensation education.

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 2014, a total expense of \$1,214,328 was incurred in administrative costs. An excess coverage insurance policy covers individual claims in excess of \$150,000. The liability for unpaid claims of \$1,005,000 reported at June 30, 2014 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 2014 and 2013 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2014	\$ 579,000	\$ 7,669,278	\$ (7,243,278)	\$1,005,000
2013	934,000	6,953,764	(7,308,764)	579,000

NOTE 15 - 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, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 15 - 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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$832,910, \$809,193 and \$822,025, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 15 - PENSION PLANS (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$3,141,134, \$3,067,062 and \$3,197,861, respectively; 87.07 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$92,864 made by the District and \$72,965 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 16 - 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 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$126,059, \$109,159 and \$132,111, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$48,322, \$45,710 and \$48,545, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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, 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 2014, 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, 2014, 2013 and 2012 were \$241,626, \$235,928 and \$245,989, respectively; 87.07 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) State solvency loans are reported as revenue (budget basis), rather than as a fund liability (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) 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	\$ (910,000)
Net adjustment for revenue accruals	(199,284)
Net adjustment for expenditure accruals	2,829,016
Net adjustment for other sources/uses	(4,147,158)
Funds budgeted elsewhere	69,391
Adjustment for encumbrances	444,516
GAAP basis	<u>\$ (1,913,519)</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, the workers compensation fund and the adult education fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 18 - CONTINGENCIES

A. Grants

The District 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 of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

A lawsuit is pending against the District. In the opinion of the District's legal counsel, no liability is anticipated in excess of insurance coverage.

NOTE 19 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	597,993
Current year qualifying expenditures	(554,978)
Current year offsets	<u>(1,027,501)</u>
Total	<u>\$ (984,486)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

In addition to the above statutory set-aside, the District also has \$4,982 in monies restricted for school bus purchases.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 20 - 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	\$ 326,085
Nonmajor governmental funds	<u>334,440</u>
 Total	 <u>\$ 660,525</u>

NOTE 21 - GOING CONCERN ISSUE

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles which contemplates continuation of the District as a going concern. The District is required to prepare and file, with the Superintendent of the Ohio Department of Education, a 5 year forecast. On December 8, 2006, the District was declared to be in a state of "Fiscal Watch" by the Auditor of State.

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. On November 22, 2013, the Board of Education voted to apply to the Auditor of State to be placed in "Fiscal Emergency" because a financial plan to eliminate the District's current operating deficit and avoid operating deficits in ensuing years could not be implemented.

On December 17, 2013, the Auditor of State declared Mansfield City School District to be in a state of "Fiscal Emergency" in accordance with Section 3316.03(B)(2) of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. A financial plan was approved by the Commission on April 22, 2014.

NOTE 22 - SUBSEQUENT EVENT

The District's sponsorship agreement with the Mansfield Elective Academy, Mansfield Enhancement Academy and Interactive Media and Construction ended on June 30, 2014. As of July 1, 2014, the Ohio Department of Education became sponsor for the Academies. As a result, the Academies will no longer be component units of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23- INTERACTIVE MEDIA AND CONSTRUCTION, INC.

The 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, but have failed to successfully complete all requirements necessary for the attainment of the 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 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 and GASB Statement No. 61.

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 through college preparatory curriculum. IMAC will better serve the population by providing a challenging curriculum, community/parental support, motivation through career skills and pay for work. Enrollment is open to students within the attendance area of the Mansfield City School District and all bordering school districts. IMAC gives first choice to educationally disadvantaged, special education and economically at risk youth.

IMAC was approved for sponsorship under contract resolution on June 30, 2010, with the Sponsor for a period of five years commencing on the first day of the 2010-2011 academic year. This agreement was renewed for the 2013-2014 academic year.

IMAC entered into a new sponsorship agreement on June 15, 2014 for the period of July 1, 2014 through June 30, 2017 with the Ohio Department of Education.

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 fiscal officer. Effective December 1, 2013, IMAC entered into a fiscal services agreement with Charter School Specialists, LLC. and terminated the fiscal services agreement with Mansfield City School District. 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.

During fiscal year 2014, IMAC had a service agreement with the Sponsor. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

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's significant accounting policies are described below.

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

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

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

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

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

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

Cash - Cash held by IMAC is reflected as “cash and cash equivalents” on the statement of net position. 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 2014, 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 to ten 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 position 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 Position - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by IMAC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

Intergovernmental Revenue - IMAC currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, and the Improving Teacher Quality 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 2014 was \$41,027.

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 2014, the IMAC has implemented GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the IMAC.

C. Deposits and Investments

Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all IMAC deposits was zero. IMAC had a zero bank balance at June 30, 2014.

Investments

As of June 30, 2014, 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	\$ 608,238	\$ 608,238

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

Credit Risk: The federal agency securities underlying the repurchase agreement were rated AA+ 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 \$608,238 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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 608,238	100.00

Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Investments	<u>\$ 608,238</u>
<u>Cash and investments per statement of net position</u>	
Business-type activities	<u>\$ 608,238</u>

D. Capital Assets

Capital asset activity as of June 30, 2014, was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Capital assets, being depreciated:				
Equipment	\$ 163,622	\$ 4,960	\$ -	\$ 168,582
Less: accumulated depreciation	<u>(149,801)</u>	<u>(4,695)</u>	<u>-</u>	<u>(154,496)</u>
Capital assets	<u>\$ 13,821</u>	<u>\$ 265</u>	<u>\$ -</u>	<u>\$ 14,086</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

E. Receivables

IMAC had \$3,019 in intergovernmental receivables related to Title I at June 30, 2014.

F. Purchased Services

For the period ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 312,639
Property rental	32,676
Travel and meetings	5,279
Communications	1,661
Contracted services	5,649
Other	<u>14,997</u>
Total	<u>\$ 372,901</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 2014, 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 Travelers Casualty and 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 of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of IMAC at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

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 adjustments to State funding for fiscal year 2015, as a result of the reviews which have yet to be completed.

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

I. Service Agreement

IMAC has contracted with the Sponsor through the 2014 school year. All services are to be provided on a purchased service or reimbursement basis. IMAC paid \$295,284 to the Sponsor for educational, fiscal and administrative services during fiscal year 2014 and owed \$92,995 at June 30, 2014.

J. Fiscal Services Contract

The IMAC entered into a service contract with Charter School Specialists, LLC (CSS), for the period December 1, 2013 through June 30, 2014, to provide fiscal consulting services. The IMAC paid CSS \$2,000 in service fees for fiscal year 2014.

K. 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, 2008 and ending August 31, 2009 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, 2014 and ending August 31, 2015. The lease payment is \$8,150 per month, with payments divided between the three participating schools. IMAC paid \$32,600 in lease payments during fiscal year 2014.

L. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

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, under "*Employers/Audit Resources*".

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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$2,731, \$2,627 and \$2,641, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$23,080, \$23,130 and \$23,190, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

M. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$29, \$32 and \$114, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$158, \$148 and \$156, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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, 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 2014, 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, 2014, 2013 and 2012 were \$1,775, \$1,779 and \$1,784, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 23 - INTERACTIVE MEDIA AND CONSTRUCTION, INC. - (Continued)

N. Subsequent Event

IMAC's sponsorship agreement with the Mansfield City School District ended on June 30, 2014. As of July 1, 2014, the Ohio Department of Education became sponsor for IMAC. As a result, IMAC will no longer be a component unit of the Mansfield City School District.

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY

The Mansfield Enhancement Academy (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students who have met some graduation requirements but have failed to successfully complete all requirements necessary for the attainment of the high school diploma or graduation equivalence diploma. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the Mansfield City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61.

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

The Academy was approved for sponsorship under contract resolution on June 30, 2010, with the Sponsor for a period of five years commencing on the first day of the 2010-2011 academic year.

The Academy entered into a new sponsorship agreement on June 15, 2014 for the period July 1, 2014 through June 30, 2017 with the Ohio Department of Education.

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. Effective December 1, 2013, the Academy entered into a fiscal services agreement with Charter School Specialists, LLC. and terminated the fiscal services with Mansfield City School District. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. Upon dissolution of the Academy, any assets remaining shall be conveyed to the Sponsor.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

During fiscal year 2014, the Academy had a service agreement with the Sponsor. 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

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's significant accounting policies are described below.

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

Expenses are recognized at the time they are incurred.

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

Cash - Cash held by the Academy is reflected as "cash and cash equivalents" on the statement of net position. 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 2014, 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 position 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 Position - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

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

Intergovernmental Revenue - The Academy currently participates in the State foundation program through the Ohio Department of Education, Education Jobs grant, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Improving Teacher Quality grant, and the 21st Century 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 2014 was \$156,461.

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 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

C. Deposits and Investments

Deposits with Financial Institutions

At June 30, 2014, the carrying amount of the Academy's deposits was zero, exclusive of the \$21,884 repurchase agreement included in "investments" below. The Academy had a zero bank balance at June 30, 2014.

Investments

As of June 30, 2014, the Academy had the following investments and maturities:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 21,884	\$ 21,884

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 AA+ 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 \$21,884 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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 21,884	100.00

Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Investments	\$ 21,884
 <u>Cash and investments per statement of net position</u>	
Business-type activities	\$ 21,884

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/14</u>
Capital assets, being depreciated:				
Equipment	\$ 57,944	\$ 25,496	\$ -	\$ 83,440
Less: accumulated depreciation	<u>(32,414)</u>	<u>(13,705)</u>	<u>-</u>	<u>(46,119)</u>
Capital assets, net	<u>\$ 25,530</u>	<u>\$ 11,791</u>	<u>\$ -</u>	<u>\$ 37,321</u>

E. Receivables

The Academy had the following intergovernmental receivables at June 30, 2014:

Improving teacher quality	<u>\$ 43,365</u>
---------------------------	------------------

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

F. Purchased Services

For fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 301,843
Property services	32,600
Travel and meetings	3,034
Communications	2,245
Contracted trade	5,162
Pupil transportation	850
Other	<u>181,695</u>
Total	<u>\$ 527,429</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 2014, the Academy maintains comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides the Treasurer \$25,000 of bond coverage through Travelers Casualty and 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

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 of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time.

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, 2014. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2015, as a result of the reviews which have yet to be completed.

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

I. Service Agreement

The Academy is contracting with the Sponsor to manage its operations for school year 2014. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$165,082 in fiscal year 2014 to the Sponsor for educational and administrative services. The Academy owed \$107,916 at June 30, 2014.

J. Fiscal Service Contract

The Academy entered into a service contract with Charter School Specialists, LLC. (CSS) for the period December 1, 2013 through June 30, 2014 to provide fiscal consulting services. The Academy paid CSS \$2,000 in service fees for fiscal year 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

K. 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, 2008 and ending August 31, 2009 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, 2013 and ending August 31, 2014. The lease payment is \$8,150 per month, with payments divided between the three participating schools. The Academy paid \$32,600 in lease payments during fiscal year 2014.

L. 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, under "Employers/Audit Resources".

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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$3,160, \$9,461 and \$3,134, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - 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, 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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$23,561, \$25,100 and \$25,349, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

M. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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, under "Employers/Audit Resources".

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$34, \$116 and \$136, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 24 - MANSFIELD ENHANCEMENT ACADEMY (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$183, \$534 and \$185, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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, 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 2014, 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, 2014, 2013 and 2012 were \$1,812, \$1,931 and \$1,950, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

N. Subsequent Event

The Academy's sponsorship agreement with the Mansfield City School District ended on June 30, 2014. As of July 1, 2014, the Ohio Department of Education became sponsor for the Academy. As a result, the Academy will no longer be a component unit of the Mansfield City School District.

NOTE 25 - 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 and GASB Statement No. 61.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

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 eighth 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 June 30, 2010, with the Sponsor for a period of five years commencing on the first day of the 2010-2011 academic year.

The Academy entered into a new sponsorship agreement on June 15, 2014 for the period July 1, 2014 through June 30, 2017 with the Ohio Department of Education.

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 School's fiscal officer. Effective December 1, 2013, the Academy entered into a fiscal services agreement with Charter School Specialists, LLC. and terminated the fiscal services agreement with Mansfield City Schools. 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.

During fiscal year 2014, the Academy had a service agreement with the Sponsor. 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.

A. Summary of Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant accounting policies are described below.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

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

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

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

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

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 position. 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 2014, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

Net Position - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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 position 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, and the Improving Teacher Quality 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 2014 was \$68,016.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

B. Change in Accounting Principles

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

C. Deposits and Investments

Deposits with Financial Institutions

At June 30, 2014, the carrying amount of the Academy's deposits was zero. The Academy had a zero bank balance at June 30, 2014.

Investments

As of June 30, 2014, 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	\$ 111,756	\$ 111,756

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 AA+ 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 \$111,756 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, 2014:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 111,756	100.00

Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Investments	\$ 111,756
 <u>Cash and investments per statement of net position</u>	
Business-type activities	\$ 111,756

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Capital assets, being depreciated:				
Equipment	\$ 89,935	\$ 3,111	\$ -	\$ 93,046
Less: accumulated depreciation	<u>(84,982)</u>	<u>(1,308)</u>	<u>-</u>	<u>(86,290)</u>
Capital assets, net	<u>\$ 4,953</u>	<u>\$ 1,803</u>	<u>\$ -</u>	<u>\$ 6,756</u>

E. Receivables

The Academy had the following intergovernmental receivables at June 30, 2014:

School improvement	\$ 33,000
Title I	<u>1,840</u>
Total	<u>\$ 34,840</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, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

F. Purchased Services

For fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 210,605
Property rental	32,600
Travel and meetings	80,461
Communications	3,813
Contracted trade	7,059
Other	<u>20,699</u>
Total	<u>\$ 355,237</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 2014, 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 Travelers Casualty and 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 of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time.

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, 2014. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2015, 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, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

I. Service Agreement

The Academy is contracting with the Sponsor to manage its operations for the 2014 school year. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$98,110 to the Sponsor for educational, fiscal and administrative services during fiscal year 2014 and owed \$94,645 at June 30, 2014.

J. Fiscal Service Contract

The Academy entered into a service contract with Charter School Specialists, LLC. (CSS) for the period December 1, 2013 through June 30, 2014 to provide fiscal consulting services. The Academy paid CSS \$2,000 in service fees for fiscal year 2014.

K. 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, 2013 and ending August 31, 2014. The lease payment is \$8,150 per month, with payments divided between the three participating Academies. The Academy paid \$32,600 lease payments during fiscal year 2014.

L. 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, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$537, \$537 and \$521, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$16,974, \$21,951 and \$24,284, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

M. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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, under "*Employers/Audit Resources*".

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 25 - MANSFIELD ELECTIVE ACADEMY (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 Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$6, \$7 and \$23, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$31, \$30 and \$31, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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, 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 2014, 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, 2014, 2013 and 2012 were \$1,306, \$1,689 and \$1,868, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

N. Subsequent Event

The Academy's sponsorship agreement with the Mansfield City School District ended on June 30, 2014. As of July 1, 2014, the Ohio Department of Education became sponsor for the Academy. As a result, the Academy will no longer be a component unit of the Mansfield City School District.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
School Breakfast Program	10.553	\$ 4,679	\$ 4,679
National School Lunch Program	10.555	88,898	88,898
Non-Cash Assistance Subtotal:		93,577	93,577
Cash Assistance:			
School Breakfast Program	10.553	505,221	505,221
National School Lunch Program	10.555	1,238,959	1,238,959
Cash Assistance Subtotal:		1,744,180	1,744,180
Total Child Nutrition Cluster		1,837,757	1,837,757
Fresh Fruit and Vegetable Program	10.582	57,460	57,460
TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,895,217	1,895,217
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2,542,366	2,544,645
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	828,775	837,591
Special Education-Preschool Grants (IDEA Preschool)	84.173	44,215	47,363
Total Special Education Cluster		872,990	884,954
Adult Education - Basic Grants to States	84.002	199,295	199,295
Career and Technical Education - Basic Grants to States	84.048	112,196	106,125
Improving Teacher Quality State Grants	84.367	435,734	412,706
School Improvement Grants Cluster:			
School Improvement Grants	84.377	784,890	789,476
ARRA-School Improvement Grants, Recovery Act	84.388	189,258	183,676
Total School Improvement Grants Cluster		974,148	973,152
ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	3,150	3,150
Education for Homeless Children and Youth	84.196	41,591	44,503
Education Jobs Fund	84.410	2,476	2,476
TOTAL U.S. DEPARTMENT OF EDUCATION		5,183,946	5,171,006
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Education</i>			
Job Opportunities and Basic Skills Training	93.561	-	7,923
Cooperative Agreement to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2	2
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		2	7,925
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		\$ 7,079,165	\$ 7,074,148

The accompanying notes 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, 2014**

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 – BUREAU OF WORKERS' COMPENSATION REBATE

Ohio's workers' compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers' Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the District's Federal Awards Receipts and Expenditures Schedule.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 West Cook Road
Mansfield, Ohio 44906

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Mansfield City School District, Richland County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2015, wherein we noted the District has suffered recurring losses from operations and has a net position deficiency and was declared to be in Fiscal Emergency by the Auditor of State on December 17, 2013, and the District's sponsor agreement with Mansfield Elective Academy, Mansfield Enhancement Academy and Interactive Media and Construction ended on June 30, 2014, and therefore, the Academies will no longer be component units of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275
www.ohioauditor.gov

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Dave Yost
Auditor of State
Columbus, Ohio

March 4, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 West Cook Road
Mansfield, Ohio 44906

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Mansfield City School District's, Richland County, Ohio (the District), compliance with the applicable 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 the Mansfield City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mansfield City School District, Richland County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2014-001 and 2014-002. These findings did not require us to modify our compliance opinion on each major federal program.

The District's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-002 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Mansfield City School District
Richland County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required By OMB Circular A-133
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 4, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.002 – Adult Education – Basic Grants to States CFDA # 84.010 – Title I Grants to Local Educational Agencies CFDA # 84.377 & 84.388 – School Improvement Grants Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)**

3. FINDINGS FOR FEDERAL AWARDS

Federal Filing

Finding Number	2014-001
CFDA Title and Number	Adult Education – Basic Grants to States, CFDA # 84.002 Title I Grants to Local Educational Agencies, CFDA # 84.010 School Improvement Grants Cluster, CFDA # 84.377 & 84.388
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .200(b) provides that a non-federal entity that expends \$500,000 or more in a year in federal awards shall have a single audit conducted as discussed in the Circular. Section .105 defines such entities as “auditees”. **Section .300(a)** states, an auditee shall “Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity.”

Section .300(e) further states, an auditee shall “Ensure that the audits required by this part are properly performed and submitted when due.” **Section .320(a)** provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District expended in excess of \$500,000 in federal awards during the fiscal year ended June 30, 2013; however, the District did not file their report with the Federal Audit Clearinghouse until April 24, 2014, which is past the March 31 filing deadline.

We recommend the District develop procedures for timely submission of their A-133 reporting package.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)**

3. FINDINGS FOR FEDERAL AWARDS (CONTINUED)

Title I – Procurement and Suspension and Debarment

Finding Number	2014-002
CFDA Title and Number	Title I Grants to Local Educational Agencies, CFDA #84.010
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

2 CFR Part 180.300 indicates when you enter into a covered transaction with another person at the next lower tier, you must verify the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM (System for Award Management); or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

The District had two of four Title I grant contracts which did not include documentation the SAM system was searched, the collection of a certification, or the addition of a clause or condition to the contract indicating the entity was not excluded or disqualified. The subsequent search of the SAM system did not result in any matches for these contracts.

The District should implement procedures to ensure one of the three aforementioned methods is used to verify the entity is not excluded or disqualified. In addition, if the District checks the SAM website, a search print out should be maintained to document the search had been performed.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The District was unable to file their FY13 report with the Federal Audit Clearinghouse by the March 31, 2014, deadline as there was an issue that needed to be resolved with the Attorney General's Office before the Auditor of State could complete the audit. The report was filed as soon as the matter was resolved and the audit completed. The District does not anticipate any future issues.	April 24, 2014	Rosetta L. Stephens Treasurer
2014-002	The District has implemented the following procedures for excluded and disqualified vendors using the SAM website: <ol style="list-style-type: none"> 1. Checking the System for Award Management (SAM) 2. Collecting a certification from that person 3. Adding a clause or condition to the covered transaction with that person 	March, 2015	Rosetta L. Stephens Treasurer



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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 April 24, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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
Columbus, Ohio

March 4, 2015

This page intentionally left blank.



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
APRIL 7, 2015**