



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	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	26
Statement of Fiduciary Net Position – Proprietary Funds.....	27
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	28
Statement of Cash Flows – Proprietary Funds	29
Statement of Fiduciary Net Position – Fiduciary Funds.....	30
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	31
Notes to the Basic Financial Statements	33
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	71
State Teachers Retirement System (STRS) of Ohio	72
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio	74
State Teachers Retirement System (STRS) of Ohio	76
Notes to Required Supplementary Information	78
Federal Awards Receipts and Expenditures Schedule.....	79
Notes to the Federal Awards Receipts and Expenditures Schedule	80

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	81
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	83
Schedule of Findings.....	85
Schedule of Prior Audit Findings.....	87



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, 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, 2015, 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, each major fund, and the aggregate remaining fund information of the Mansfield City School District, Richland County, Ohio, as of June 30, 2015, 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 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 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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* and schedules of net pension liabilities and pension contributions 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 schedule is management's responsibility, and derives from and relates 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 February 9, 2016, 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

February 9, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, 2015. 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 2015 are as follows:

- In total, net position of governmental activities increased \$10,243,549 which represents a 32.16% increase from 2014.
- General revenues accounted for \$53,486,724 in revenue or 76.95% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$16,019,633 or 23.05% of total revenues of \$69,506,357.
- The District had \$59,262,808 in expenses related to governmental activities only \$16,019,633 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 \$53,486,724 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 \$58,693,089 in revenues and other financing sources and \$50,157,858 in expenditures. During fiscal year 2015, the general fund's fund balance increased \$8,535,231 from a deficit balance of \$5,082,937 to a balance of \$3,452,294.
- The debt service fund had \$777,076 in revenues and \$1,525,496 in expenditures. The debt service fund's fund balance decreased \$748,420 from \$3,030,001 to \$2,281,581.

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, 2015
(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 2015?" 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 19-21 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net 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 22-26 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for a self-insurance program for employee health benefits. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 30 and 31. 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 33-70 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 71-78 of this report.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Net Position	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<u>Assets</u>		
Current and other assets	\$ 35,929,529	\$ 31,767,497
Capital assets, net	<u>50,567,515</u>	<u>51,917,339</u>
Total assets	<u>86,497,044</u>	<u>83,684,836</u>
<u>Deferred outflows of resources</u>	<u>4,603,856</u>	<u>4,482,481</u>
<u>Liabilities</u>		
Current liabilities	5,722,178	7,031,058
Long-term liabilities:		
Due within one year	4,349,026	3,975,528
Due in more than one year:		
Net pension liability	66,211,005	78,720,259
Other amounts	<u>14,844,733</u>	<u>18,739,961</u>
Total liabilities	<u>91,126,942</u>	<u>89,726,845</u>
<u>Deferred inflows of resources</u>	<u>21,574,319</u>	<u>11,544,421</u>
<u>Net Position</u>		
Net investment in capital assets	39,370,227	40,338,908
Restricted	3,576,094	3,481,565
Unrestricted (deficit)	<u>(64,546,682)</u>	<u>(75,664,383)</u>
Total net position (restated)	<u>\$ (21,600,361)</u>	<u>\$ (31,843,910)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$42,995,062 to a deficit of \$31,843,910.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's net position was a deficit of \$21,600,361.

At year-end, capital assets represented 55.51% of total assets and deferred outflows. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets as of June 30, 2015, was \$39,370,227. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

A portion of the District's net position, \$3,576,094, 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 \$64,546,682. The table below shows the change in net position for fiscal year 2015 and 2014.

	Change in Net Position	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,834,747	\$ 1,777,647
Operating grants and contributions	14,184,870	13,686,479
Capital grants and contributions	16	4,300
General revenues:		
Property taxes	18,645,475	15,281,684
Grants and entitlements	34,232,213	31,343,049
Investment earnings	16,636	21,337
Other	<u>592,400</u>	<u>1,401,925</u>
Total revenues	<u>\$ 69,506,357</u>	<u>\$ 63,516,421</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Change in Net Position	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 14,996,618	\$ 16,971,859
Special	8,669,348	10,275,409
Vocational	1,190,629	1,261,687
Adult	306,805	349,978
Other	12,097,269	13,402,130
Support services:		
Pupil	3,137,165	3,345,154
Instructional staff	703,060	665,850
Board of education	16,757	17,330
Administration	3,205,864	3,131,335
Fiscal	1,192,257	1,095,305
Business	711,440	617,594
Operations and maintenance	4,029,892	3,048,091
Pupil transportation	2,101,301	2,722,278
Central	2,458,074	1,902,232
Operation of non-instructional services:		
Other non-instructional services	893,852	2,265,964
Food service operations	2,026,469	2,184,074
Extracurricular activities	762,616	786,484
Interest and fiscal charges	<u>763,392</u>	<u>761,490</u>
Total expenses	<u>59,262,808</u>	<u>64,804,244</u>
Change in net position	10,243,549	(1,287,823)
Net position (deficit) at beginning of year	<u>(31,843,910)</u>	<u>(30,556,087)</u>
Net position (deficit) at end of year	<u>\$ (21,600,361)</u>	<u>\$ (31,843,910)</u>

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$3,881,287 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,754,249.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

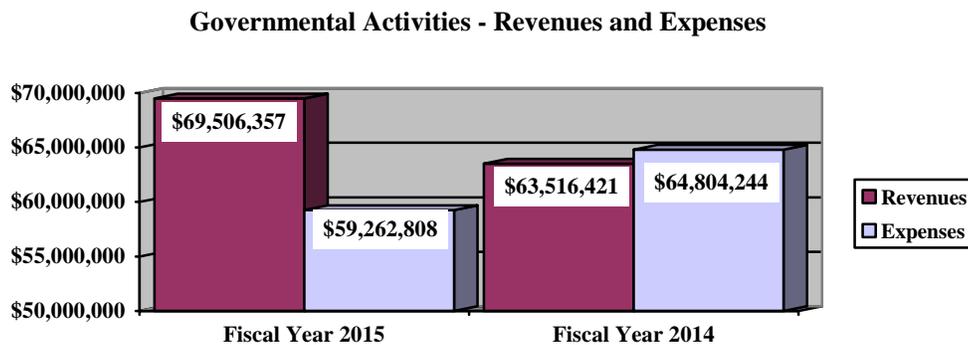
Total 2015 program expenses under GASB 68	\$ 59,262,808
Pension expense under GASB 68	(2,754,249)
2015 contractually required contributions	<u>3,467,899</u>
Adjusted 2015 program expenses	59,976,458
Total 2014 program expenses under GASB 27	<u>64,804,244</u>
Decrease in program expenses not related to pension	<u>\$ (4,827,786)</u>

Net position of the District's governmental activities increased \$10,243,549. Total governmental expenses of \$59,262,808 were offset by program revenues of \$16,019,633 and general revenues of \$53,486,724. Program revenues supported 27.03% 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 76.08% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$37,260,669 or 62.87% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2015 and 2014.



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.

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

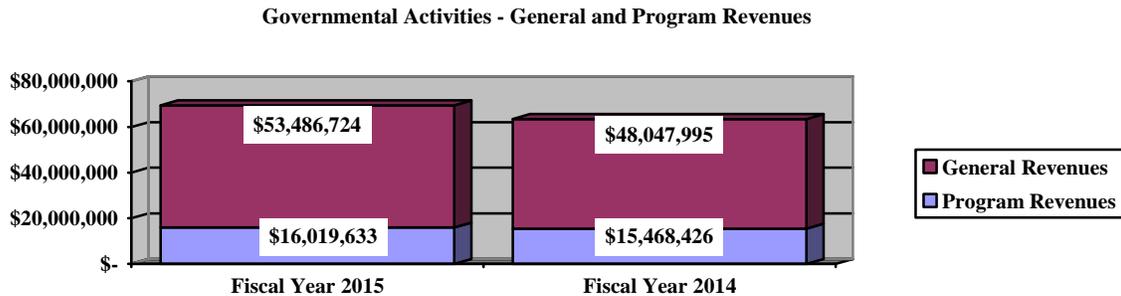
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program expenses				
Instruction:				
Regular	\$ 14,996,618	\$ 13,572,225	\$ 16,971,859	\$ 15,088,132
Special	8,669,348	(94,320)	10,275,409	2,198,649
Vocational	1,190,629	614,448	1,261,687	805,928
Adult	306,805	(13,568)	349,978	59,402
Other	12,097,269	12,052,874	13,402,130	13,331,504
Support services:				
Pupil	3,137,165	2,942,021	3,345,154	3,115,736
Instructional staff	703,060	357,949	665,850	380,204
Board of education	16,757	16,757	17,330	17,330
Administration	3,205,864	2,972,057	3,131,335	2,912,003
Fiscal	1,192,257	1,134,327	1,095,305	1,044,184
Business	711,440	711,440	617,594	617,594
Operations and maintenance	4,029,892	4,008,247	3,048,091	3,013,785
Pupil transportation	2,101,301	1,756,286	2,722,278	2,638,483
Central	2,458,074	1,801,631	1,902,232	1,231,159
Operations of non-instructional services:				
Other non-instructional services	893,852	233,793	2,265,964	1,592,651
Food service operations	2,026,469	(110,684)	2,184,074	32,709
Extracurricular activities	762,616	524,300	786,484	494,875
Interest and fiscal charges	763,392	763,392	761,490	761,490
Total expenses	\$ 59,262,808	\$ 43,243,175	\$ 64,804,244	\$ 49,335,818

The dependence upon tax and other general revenues for governmental activities is apparent, as 70.13% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.97%. The District's taxpayers and unrestricted grants and entitlements from the State, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2015 and 2014.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 22) reported a combined fund balance of \$7,694,118, which is greater than last year's total of a deficit of \$52,354. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance (deficit) <u>June 30, 2014</u>	Increase/ (Decrease)
General	\$ 3,452,294	\$ (5,082,937)	\$ 8,535,231
Debt Service	2,281,581	3,030,001	(748,420)
Other Governmental	<u>1,960,243</u>	<u>2,000,582</u>	<u>(40,339)</u>
Total	<u>\$ 7,694,118</u>	<u>\$ (52,354)</u>	<u>\$ 7,746,472</u>

General Fund

The District's general fund balance increased \$8,535,231. The table that follows assists in illustrating the financial activities of the general fund. The general fund had a balance of \$1,815,000 on the tax anticipation note and a balance of \$1,842,500 on the state solvency loan. This note and solvency loan are reported as fund liabilities of the general fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 17,391,862	\$ 14,378,078	20.96 %
Tuition	1,159,934	1,152,781	0.62 %
Earnings on investments	16,830	22,664	(25.74) %
Intergovernmental	39,282,589	36,253,729	8.35 %
Other revenues	<u>828,618</u>	<u>1,311,992</u>	(36.84) %
Total	<u>\$ 58,679,833</u>	<u>\$ 53,119,244</u>	10.47 %
<u>Expenditures</u>			
Instruction	\$ 33,422,373	\$ 37,008,790	(9.69) %
Support services	15,484,797	14,482,554	6.92 %
Operation of non-instructional services	290,622	1,601,927	(81.86) %
Extracurricular activities	639,606	649,316	(1.50) %
Debt service	<u>320,460</u>	<u>140,189</u>	128.59 %
Total	<u>\$ 50,157,858</u>	<u>\$ 53,882,776</u>	(6.91) %

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 6.91% reduction in expenditures from fiscal year 2014 to 2015. The District passed a new levy in November 2013 which resulted in an increase in property tax revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

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 \$55,406,608 and final budgeted revenues and other financing sources were \$57,290,364. The actual revenues and other financing sources for fiscal year 2015 totaled \$58,572,083, which were \$1,281,719 more than the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) were \$56,091,835 and final budgeted appropriations were \$55,287,463. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$54,447,463, which was \$840,000 lower than the final budgeted appropriations.

Debt Service Fund

The debt service fund balance decreased \$748,420 during the course of fiscal year 2015. The debt service fund had revenues of \$777,076 and expenses of \$1,525,496. The decrease in fund balance was due to principal and interest payments exceeding property tax revenue and intergovernmental revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$50,567,515 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 2015 balances compared to 2014:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 4,935,051	\$ 4,935,051
Land improvements	1,809,284	2,048,836
Building and improvements	42,010,451	43,136,578
Furniture and equipment	786,242	1,152,611
Vehicles	<u>1,026,487</u>	<u>644,263</u>
Total	<u>\$ 50,567,515</u>	<u>\$ 51,917,339</u>

The overall decrease in capital assets of \$1,349,824 is due to depreciation expense of \$2,023,568 exceeding capital outlays of \$815,327 in the fiscal year. The District also had disposals, net of accumulated depreciation of \$141,583.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Debt Administration

At June 30, 2015, the District had \$15,587,869 in general obligation bonds, notes and loans outstanding. Of this total, \$3,595,622 is due within one year and \$11,992,247 is due in more than one year. The following table summarizes the bonds, loans and notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation bonds - 2005	\$ 1,003,282	\$ 1,865,592
General obligation bonds - 2013	8,200,368	8,187,367
Tax anticipation notes - 2013	1,815,000	2,290,000
State solvency loan - 2014	1,842,500	3,685,000
Energy conservation notes	<u>2,726,719</u>	<u>2,901,719</u>
 Total	 <u>\$ 15,587,869</u>	 <u>\$ 18,929,678</u>

At June 30, 2015, the District's overall legal debt margin was \$22,173,257 with an unvoted debt margin of \$383,621. See Note 9 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. In May 2013, the residents of the District approved the renewal of a 9.8 mill levy that will generate \$3,900,000 for five years. Voters approved a new levy in November 2013 that will generate \$4,000,000 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 26.83% of revenues for governmental activities for the District in fiscal year 2015.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

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.

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 the Mansfield City School District Treasurer's Department, 856 W. Cook Road, Mansfield, Ohio 44907.

THIS PAGE INTENTIONALLY LEFT BLANK

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

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 13,827,939
Receivables:	
Property taxes	19,371,605
Accounts	252,460
Intergovernmental	2,370,660
Prepayments	26,906
Materials and supplies inventory	51,241
Inventory held for resale	28,718
Capital assets:	
Nondepreciable capital assets	4,935,051
Depreciable capital assets, net.	45,632,464
Capital assets, net	50,567,515
Total assets.	86,497,044
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	510,406
Pension - STRS	3,296,235
Pension - SERS	797,215
Total deferred outflows of resources	4,603,856
 Liabilities:	
Accounts payable.	231,770
Accrued wages and benefits payable	3,875,588
Intergovernmental payable	246,790
Pension and postemployment obligation payable.	714,617
Accrued interest payable	24,495
Claims payable.	628,918
Long-term liabilities:	
Due within one year.	4,349,026
Due in more than one year:	
Net pension liability.	66,211,005
Other amounts due in more than one year .	14,844,733
Total liabilities	91,126,942
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	9,566,552
Pension - STRS.	10,281,001
Pension - SERS.	1,726,766
Total deferred inflows of resources	21,574,319
 Net position:	
Net investment in capital assets	39,370,227
Restricted for:	
Capital projects	1,151,438
Classroom facilities maintenance	84,369
Debt service.	1,402,499
Locally funded programs	53,414
State funded programs.	90,162
Federally funded programs	79,665
Student activities	53,553
Other purposes	660,994
Unrestricted (deficit)	(64,546,682)
Total net position (deficit).	\$ (21,600,361)

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, 2015

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular	\$ 14,996,618	\$ 910,453	\$ 513,940
Special	8,669,348	290,731	8,472,937
Vocational	1,190,629	-	576,181
Adult/continuing	306,805	87,068	233,305
Other	12,097,269	-	44,395
Support services:			
Pupil	3,137,165	-	195,144
Instructional staff	703,060	48,975	296,136
Board of education	16,757	-	-
Administration	3,205,864	-	233,807
Fiscal	1,192,257	-	57,930
Business	711,440	-	-
Operations and maintenance	4,029,892	10,932	10,711
Pupil transportation	2,101,301	52,697	292,318
Central	2,458,074	3,069	653,360
Operation of non-instructional services:			
Other non-instructional services	893,852	-	660,059
Food service operations	2,026,469	198,906	1,938,247
Extracurricular activities	762,616	231,916	6,400
Interest and fiscal charges	763,392	-	-
Total governmental activities	\$ 59,262,808	\$ 1,834,747	\$ 14,184,870

General revenues:

Property taxes levied for:

- General purposes
- Classroom facilities maintenance
- Debt service
- Capital outlay
- Grants and entitlements not restricted
to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Change in net position

Net position (deficit) at beginning of year (restated) .

Net position (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

		Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions		Governmental Activities	
\$	-	\$	(13,572,225)
	-		94,320
	-		(614,448)
	-		13,568
	-		(12,052,874)
	-		(2,942,021)
	-		(357,949)
	-		(16,757)
	-		(2,972,057)
	-		(1,134,327)
	-		(711,440)
	2		(4,008,247)
	-		(1,756,286)
	14		(1,801,631)
	-		(233,793)
	-		110,684
	-		(524,300)
	-		(763,392)
\$	16		(43,243,175)

17,411,176
75,741
314,777
843,781
34,232,213
16,636
592,400
53,486,724
10,243,549
(31,843,910)
\$ (21,600,361)

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 8,200,571	\$ 2,223,572	\$ 1,737,993	\$ 12,162,136
Receivables:				
Property taxes	18,166,081	301,927	903,597	19,371,605
Accounts	248,950	-	3,510	252,460
Intergovernmental	1,298,218	-	1,072,442	2,370,660
Prepayments	26,906	-	-	26,906
Materials and supplies inventory	46,000	-	5,241	51,241
Inventory held for resale	-	-	28,718	28,718
Due from other funds	47,650	-	-	47,650
Restricted assets:				
Equity in pooled cash and cash equivalents	4,982	-	-	4,982
Total assets	<u>\$ 28,039,358</u>	<u>\$ 2,525,499</u>	<u>\$ 3,751,501</u>	<u>\$ 34,316,358</u>
Liabilities:				
Accounts payable	\$ 192,662	\$ -	\$ 39,108	\$ 231,770
Accrued wages and benefits payable	3,257,008	-	618,580	3,875,588
Compensated absences payable	525,975	-	3,858	529,833
Intergovernmental payable	196,653	-	50,137	246,790
Pension and postemployment obligation payable	609,855	-	104,762	714,617
Due to other funds	-	-	47,650	47,650
Accrued interest payable	1,914	-	-	1,914
Tax anticipation note payable	1,815,000	-	-	1,815,000
State solvency loan payable	1,842,500	-	-	1,842,500
Total liabilities	<u>8,441,567</u>	<u>-</u>	<u>864,095</u>	<u>9,305,662</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	8,933,708	148,482	484,362	9,566,552
Delinquent property tax revenue not available	5,742,123	95,436	285,618	6,123,177
Intergovernmental revenue not available	843,343	-	157,183	1,000,526
Miscellaneous revenue not available	626,323	-	-	626,323
Total deferred inflows of resources	<u>16,145,497</u>	<u>243,918</u>	<u>927,163</u>	<u>17,316,578</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	46,000	-	5,241	51,241
Prepays	26,906	-	-	26,906
Restricted:				
Debt service	-	2,281,581	-	2,281,581
Capital improvements	-	-	886,612	886,612
Classroom facilities maintenance	-	-	66,621	66,621
Food service operations	-	-	725,469	725,469
Non-public schools	-	-	89,726	89,726
Special education	-	-	139	139
Targeted academic assistance	-	-	98,994	98,994
Other purposes	-	-	85,367	85,367
Extracurricular	-	-	53,553	53,553
School bus purchases	4,982	-	-	4,982
Committed:				
Student and staff support	45,269	-	-	45,269
Student instruction	14,865	-	-	14,865
Assigned:				
Student instruction	23,967	-	-	23,967
Student and staff support	478,948	-	-	478,948
Subsequent year's appropriations	100,983	-	-	100,983
Operation of non-instructional	56,911	-	-	56,911
Unassigned (deficit)	<u>2,653,463</u>	<u>-</u>	<u>(51,479)</u>	<u>2,601,984</u>
Total fund balances	<u>3,452,294</u>	<u>2,281,581</u>	<u>1,960,243</u>	<u>7,694,118</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 28,039,358</u>	<u>\$ 2,525,499</u>	<u>\$ 3,751,501</u>	<u>\$ 34,316,358</u>

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, 2015

Total governmental fund balances		\$	7,694,118
<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.			50,567,515
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	6,123,177	
Accounts receivable		626,323	
Intergovernmental receivable		1,000,526	
Total		1,000,526	7,750,026
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.			1,031,903
Unamortized premiums on bonds issued are not recognized in the funds.			(729,262)
Unamortized amounts on refundings are not recognized in the funds.			510,406
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(22,581)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		4,093,450	
Deferred Inflows - Pension		(12,007,767)	
Net pension liability		(66,211,005)	
Total		(66,211,005)	(74,125,322)
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		(9,203,650)	
Compensated absences		(2,346,795)	
Notes payable		(2,726,719)	
Total		(14,277,164)	(14,277,164)
Net position of governmental activities		\$	(21,600,361)

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, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 17,391,862	\$ 290,912	\$ 896,681	\$ 18,579,455
Tuition	1,159,934	-	-	1,159,934
Transportation fees	52,697	-	-	52,697
Earnings on investments	16,830	-	243	17,073
Charges for services	-	-	201,906	201,906
Extracurricular	94,756	-	126,870	221,626
Classroom materials and fees	44,319	-	-	44,319
Rental income	10,932	-	-	10,932
Contributions and donations	27,925	-	500	28,425
Other local revenues	597,989	-	197,133	795,122
Intergovernmental - state	38,890,753	486,164	1,186,447	40,563,364
Intergovernmental - federal	391,836	-	6,985,011	7,376,847
Total revenues	<u>58,679,833</u>	<u>777,076</u>	<u>9,594,791</u>	<u>69,051,700</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,382,436	-	499,351	14,881,787
Special	5,736,593	-	3,232,567	8,969,160
Vocational	1,170,775	-	99,415	1,270,190
Adult/continuing	77,395	-	236,159	313,554
Other	12,055,174	-	45,341	12,100,515
Support services:				
Pupil	2,979,597	-	192,723	3,172,320
Instructional staff	441,924	-	294,885	736,809
Board of education	17,119	-	-	17,119
Administration	2,908,324	-	237,552	3,145,876
Fiscal	1,156,361	7,353	82,262	1,245,976
Business	601,827	-	107,069	708,896
Operations and maintenance	3,506,692	-	416,598	3,923,290
Pupil transportation	2,268,841	-	366,578	2,635,419
Central	1,604,112	-	888,842	2,492,954
Operation of non-instructional services:				
Other operation of non-instructional	290,622	-	653,611	944,233
Food service operations	-	-	1,971,489	1,971,489
Extracurricular activities	639,606	-	139,712	779,318
Facilities acquisition and construction	-	-	172,286	172,286
Debt service:				
Principal retirement	175,000	1,315,000	-	1,490,000
Interest and fiscal charges	145,460	203,143	-	348,603
Total expenditures	<u>50,157,858</u>	<u>1,525,496</u>	<u>9,636,440</u>	<u>61,319,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,521,975</u>	<u>(748,420)</u>	<u>(41,649)</u>	<u>7,731,906</u>
Other financing sources:				
Sale of assets	13,256	-	1,310	14,566
Total other financing sources	<u>13,256</u>	<u>-</u>	<u>1,310</u>	<u>14,566</u>
Net change in fund balances	8,535,231	(748,420)	(40,339)	7,746,472
Fund balances at beginning of year	<u>(5,082,937)</u>	<u>3,030,001</u>	<u>2,000,582</u>	<u>(52,354)</u>
Fund balances at end of year	<u>\$ 3,452,294</u>	<u>\$ 2,281,581</u>	<u>\$ 1,960,243</u>	<u>\$ 7,694,118</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$	7,746,472
<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	\$ 815,327	
Current year depreciation	(2,023,568)	
Total		(1,208,241)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(141,583)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	66,020	
Charges for services	(3,000)	
Tuition	(525)	
Earnings on investments	(194)	
Other revenues	79,767	
Classroom materials and fees	(233)	
Intergovernmental	422,817	
Total		564,652
Repayment of bond 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:		
		1,490,000
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,467,899
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,754,249)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	23,041	
Accreted interest on capital appreciation bonds	(465,691)	
Amortization of bond premiums	118,649	
Amortization of deferred charges	(90,788)	
Total		(414,789)
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.		
		457,325
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 of the internal service fund is allocated among the governmental activities.		
		1,036,063
Change in net position of governmental activities	\$	10,243,549

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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 15,860,052	\$ 16,399,274	\$ 16,419,110	\$ 19,836
Tuition	947,932	980,160	1,160,732	180,572
Transportation fees	64,986	67,195	48,311	(18,884)
Earnings on investments	-	-	18,154	18,154
Rental income	9,921	10,258	11,796	1,538
Contributions and donations	27,805	28,750	19,500	(9,250)
Other local revenues	282,470	292,074	345,154	53,080
Intergovernmental - state	37,198,019	38,462,706	38,882,271	419,565
Intergovernmental - federal	294,923	304,950	445,008	140,058
Total revenues	<u>54,686,107</u>	<u>56,545,367</u>	<u>57,350,036</u>	<u>804,669</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,698,742	15,222,738	14,942,185	280,553
Special	7,139,003	6,666,233	5,983,529	682,704
Vocational	1,089,987	1,094,687	1,228,797	(134,110)
Other	12,517,067	11,974,341	12,074,376	(100,035)
Support services:				
Pupil	2,622,421	3,023,555	3,141,908	(118,353)
Instructional staff	616,566	591,977	460,345	131,632
Board of education	19,901	21,372	19,386	1,986
Administration	2,699,241	2,846,000	3,006,274	(160,274)
Fiscal	1,684,112	1,352,307	1,155,893	196,414
Business	594,048	626,806	650,557	(23,751)
Operations and maintenance	3,559,231	3,759,489	3,682,597	76,892
Pupil transportation	2,153,714	2,434,160	2,418,751	15,409
Central	1,497,507	1,690,233	1,627,773	62,460
Other operation of non-instructional services	922,664	586,844	406,279	180,565
Extracurricular activities	385,605	439,168	588,329	(149,161)
Debt service:				
Principal	2,437,269	2,492,500	2,492,500	-
Interest and fiscal charges	142,827	146,053	145,961	92
Total expenditures	<u>55,779,904</u>	<u>54,968,463</u>	<u>54,025,440</u>	<u>943,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,093,797)</u>	<u>1,576,904</u>	<u>3,324,596</u>	<u>1,747,692</u>
Other financing sources (uses):				
Refund of prior year's expenditures	709,863	733,997	786,767	52,770
Transfers in	-	-	422,024	422,024
Transfers (out)	(311,931)	(319,000)	(422,023)	(103,023)
Sale of capital assets	10,638	11,000	13,256	2,256
Total other financing sources (uses)	<u>408,570</u>	<u>425,997</u>	<u>800,024</u>	<u>374,027</u>
Net change in fund balance	(685,227)	2,002,901	4,124,620	2,121,719
Fund balance at beginning of year	2,076,181	2,076,181	2,076,181	-
Prior year encumbrances appropriated	444,516	444,516	444,516	-
Fund balance at end of year	<u>\$ 1,835,470</u>	<u>\$ 4,523,598</u>	<u>\$ 6,645,317</u>	<u>\$ 2,121,719</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Governmental Activities - Internal Service Funds
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,660,821
Total assets.	1,660,821
Liabilities:	
Claims payable	628,918
Total liabilities	628,918
Net position:	
Unrestricted.	1,031,903
Total net position.	\$ 1,031,903

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, 2015

	Governmental Activities - Internal Service Funds
Operating revenues:	
Sales/charges for services.	\$ 8,309,029
Total operating revenues	<u>8,309,029</u>
Operating expenses:	
Purchased services.	1,137,998
Claims	<u>6,134,968</u>
Total operating expenses.	<u>7,272,966</u>
Operating income / change in net position. . .	<u>1,036,063</u>
Net position (deficit) at beginning of year.	<u>(4,160)</u>
Net position at end of year	<u>\$ 1,031,903</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, 2015

		Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Cash received from sales/charges for services.	\$	8,309,029
Cash payments for contractual services		(1,137,998)
Cash payments for claims		(6,511,050)
		<hr/>
Net cash provided by operating activities		659,981
		<hr/>
Net increase in cash and cash equivalents.		659,981
		<hr/>
Cash and cash equivalents at beginning of year		1,000,840
Cash and cash equivalents at end of year	\$	1,660,821
		<hr/> <hr/>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income.	\$	1,036,063
Changes in assets and liabilities:		
(Decrease) in claims payable		(376,082)
		<hr/>
Net cash provided by operating activities	\$	659,981
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 26,525	\$ 18,700
Total assets.	26,525	\$ 18,700
Liabilities:		
Due to students.	-	\$ 18,700
Total liabilities.	-	\$ 18,700
Net position:		
Held in trust for scholarships	26,525	
Total net position.	\$ 26,525	

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, 2015

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Net position at beginning of year.	\$	<u>26,525</u>
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, 2015

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 295 certified employees, 175 non-certified employees and 18 administrators who provide services to 3,722 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. The District did not have any component units at June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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 2015, the District paid \$267,718 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, 2015
(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, 2015
(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, 2015
(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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related to the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2015, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) 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 2015. 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, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$16,830, which includes \$8,313 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

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

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.

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, 2015 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

L. 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.

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 9.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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

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

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

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 for food service operations and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Q. 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.

R. 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.

S. 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.

T. 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 2015, the District had neither type of transaction.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27”, GASB Statement No. 69 “Government Combinations and Disposals of Government Operations”, and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District’s pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented on pages 71 - 78.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental
	<u>Activities</u>
Net position as previously reported	\$ 42,995,062
Deferred outflows - payments	
subsequent to measurement date	3,881,287
Net pension liability	<u>(78,720,259)</u>
Restated net position (deficit) at July 1, 2014	<u>\$ (31,843,910)</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 2,963
Adult basic education	6,541
IDEA Part-B	40,796
Vocational education	1,179

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$419,971, exclusive of the \$13,453,193 in repurchase agreements and STAR Ohio included in investments. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$250,000 of the District's bank balance of \$825,840 was covered by the FDIC while \$575,840 was exposed to custodial risk, as discussed below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2015, 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	\$ 13,451,193	\$ 13,451,193
STAR Ohio	2,000	2,000
Total	<u>\$ 13,453,193</u>	<u>\$ 13,453,193</u>

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

Credit Risk: The District's investments in federal agency securities 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 \$13,451,193 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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 13,451,193	99.99
STAR Ohio	2,000	0.01
Total	<u>\$ 13,453,193</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 419,971
Investments	<u>13,453,193</u>
Total	<u>\$ 13,873,164</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 13,827,939
Private-purpose trust fund	26,525
Agency funds	<u>18,700</u>
Total	<u>\$ 13,873,164</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2015 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>\$ 47,650</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, 2015 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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.

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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$3,490,250 in the general fund, \$58,009 in the debt service fund, \$116,933 in the permanent improvement fund (a nonmajor governmental fund) and \$16,684 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$2,517,498 in the general fund, \$31,484 in the debt service fund, \$107,211 in the permanent improvement fund (a nonmajor governmental fund) and \$8,386 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, 2015 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 372,944,460	94.66	\$ 360,110,700	93.87
Public utility personal	<u>21,043,790</u>	<u>5.34</u>	<u>23,510,350</u>	<u>6.13</u>
Total	<u>\$ 393,988,250</u>	<u>100.00</u>	<u>\$ 383,621,050</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$46.73		\$70.85	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported in the statement of net position follows:

Governmental activities:

Taxes	\$ 19,371,605
Accounts	252,460
Intergovernmental	<u>2,370,660</u>
Total	<u>\$ 21,994,725</u>

Receivables have been disaggregated on the face of the basic financial statements. All 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, 2015
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/15</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,935,051	\$ -	\$ -	\$ 4,935,051
Total capital assets, not being depreciated	<u>4,935,051</u>	<u>-</u>	<u>-</u>	<u>4,935,051</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,371,289	6,200	(75,387)	4,302,102
Buildings and improvements	68,229,211	180,276	-	68,409,487
Furniture and equipment	9,671,020	127,451	(201,318)	9,597,153
Vehicles	<u>2,386,377</u>	<u>501,400</u>	<u>-</u>	<u>2,887,777</u>
Total capital assets, being depreciated	<u>84,657,897</u>	<u>815,327</u>	<u>(276,705)</u>	<u>85,196,519</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,322,453)	(245,752)	75,387	(2,492,818)
Buildings and improvements	(25,092,633)	(1,306,403)	-	(26,399,036)
Furniture and equipment	(8,518,409)	(352,237)	59,735	(8,810,911)
Vehicles	<u>(1,742,114)</u>	<u>(119,176)</u>	<u>-</u>	<u>(1,861,290)</u>
Total accumulated depreciation	<u>(37,675,609)</u>	<u>(2,023,568)</u>	<u>135,122</u>	<u>(39,564,055)</u>
Governmental activities capital assets, net	<u>\$ 51,917,339</u>	<u>\$ (1,208,241)</u>	<u>\$ (141,583)</u>	<u>\$ 50,567,515</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 916,862
Special	287,940
<u>Support services:</u>	
Pupil	96,698
Administration	169,347
Operations and maintenance	297,614
Pupil Transportation	114,625
Other non-instructional services	21,397
Food service operations	<u>119,085</u>
Total depreciation expense	<u>\$ 2,023,568</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The long term obligations at June 30, 2014 have been restated as described in Note 3.A. During the fiscal year 2015, the following changes occurred in governmental activities long term obligations:

	Restated Balance Outstanding 06/30/14	Additions	Reductions	Balance Outstanding 06/30/15	Amounts Due in One Year
General obligation bonds - 2005	\$ 1,865,592	\$ 307,690	\$ (1,170,000)	\$ 1,003,282	\$ 1,003,282
General obligation bonds - 2013	8,187,367	158,001	(145,000)	8,200,368	79,840
Net pension liability	78,720,259	-	(12,509,254)	66,211,005	-
Energy conservation notes	2,901,719	-	(175,000)	2,726,719	175,000
Tax anticipation notes - 2013	2,290,000	-	(475,000)	1,815,000	495,000
State solvency loan - 2014	3,685,000	-	(1,842,500)	1,842,500	1,842,500
Compensated absences	<u>2,937,900</u>	<u>223,571</u>	<u>(284,843)</u>	<u>2,876,628</u>	<u>753,404</u>
Total governmental activities	<u>\$ 100,587,837</u>	<u>\$ 689,262</u>	<u>\$ (16,601,597)</u>	84,675,502	<u>\$ 4,349,026</u>
Add: unamortized premium				<u>729,262</u>	
Total on statement of net position				<u>\$ 85,404,764</u>	

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 14 for detail on the net pension liability.

- 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 2012, 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 remaining capital appreciation bonds mature on 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, 2015 is \$1,115,000. Total accreted interest of \$873,282 has been included in 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, 2015
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2015 on the 2005 series refunding bonds:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/15</u>
Capital appreciation bonds	\$ 300,000	\$ -	\$ (170,000)	\$ 130,000
Accreted interest	<u>1,565,592</u>	<u>307,690</u>	<u>(1,000,000)</u>	<u>873,282</u>
Total refunding bonds	<u>\$ 1,865,592</u>	<u>\$ 307,690</u>	<u>\$ (1,170,000)</u>	<u>\$ 1,003,282</u>

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

- 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 remaining capital appreciation bonds mature on 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, 2015 and 2016 are \$145,000 and \$455,000, respectively. Total accreted interest of \$78,655 has been included in the statement of net position.

The following is a schedule of activity for fiscal year 2015 on the 2013 series refunding bonds:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/15</u>
Current interest bonds	\$ 8,120,000	\$ -	\$ -	\$ 8,120,000
Capital appreciation bonds	9,995	-	(8,282)	1,713
Accreted interest	<u>57,372</u>	<u>158,001</u>	<u>(136,718)</u>	<u>78,655</u>
Total refunding bonds	<u>\$ 8,187,367</u>	<u>\$ 158,001</u>	<u>\$ (145,000)</u>	<u>\$ 8,200,368</u>

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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
2016	\$ -	\$ 203,144	\$ 203,144	\$ 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	1,100,000	132,268	1,232,268	-	-	-
2021 - 2025	3,600,000	260,520	3,860,520	-	-	-
2026 - 2027	375,000	12,463	387,463	-	-	-
Total	<u>\$ 8,120,000</u>	<u>\$ 1,143,412</u>	<u>\$ 9,263,412</u>	<u>\$ 1,713</u>	<u>\$ 598,287</u>	<u>\$ 600,000</u>

Fiscal Year Ending June 30,	2013 Energy Conservation Notes			Series 2005 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	136,719	104,871	241,590	-	-	-
2021 - 2025	975,000	226,565	1,201,565	-	-	-
2026 - 2029	900,000	64,226	964,226	-	-	-
Total	<u>\$ 2,726,719</u>	<u>\$ 649,222</u>	<u>\$ 3,375,941</u>	<u>\$ 130,000</u>	<u>\$ 985,000</u>	<u>\$ 1,115,000</u>

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, 2015, are a voted debt margin of \$22,173,257 (including available funds of \$2,281,581) and an unvoted debt margin of \$383,621.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10 - 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
2016	\$ 495,000	\$ 59,238	\$ 554,238
2017	515,000	41,738	556,738
2018	535,000	23,538	558,538
2019	<u>270,000</u>	<u>4,725</u>	<u>274,725</u>
Total	<u>\$ 1,815,000</u>	<u>\$ 129,239</u>	<u>\$ 1,944,239</u>

NOTE 11 - 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
2016	\$ 1,842,500	\$ -	\$ 1,842,500
Total	<u>\$ 1,842,500</u>	<u>\$ -</u>	<u>\$ 1,842,500</u>

NOTE 12 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Insurance Benefits

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

NOTE 13 - 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Employee Medical Benefits

The District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2015, a total expense of \$1,137,998 was incurred in administrative costs. An excess coverage insurance policy covers individual claims in excess of \$150,000. The liability for unpaid claims of \$628,918 reported at June 30, 2015 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 2015 and 2014 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2015	\$ 1,005,000	\$ 6,134,968	\$ (6,511,050)	\$ 628,918
2014	579,000	7,669,278	(7,243,278)	1,005,000

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$706,664 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,761,235 for fiscal year 2015. Of this amount, \$454,960 is reported as pensions and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 10,639,165	\$ 55,571,840	\$ 66,211,005
Proportion of the net pension liability	0.210221%	0.2285470%	
Pension expense	\$ 620,865	\$ 2,133,384	\$ 2,754,249

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 90,551	\$ 535,000	\$ 625,551
District contributions subsequent to the measurement date	706,664	2,761,235	3,467,899
Total deferred outflows of resources	\$ 797,215	\$ 3,296,235	\$ 4,093,450
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 1,726,766	\$ 10,281,001	\$ 12,007,767

\$3,467,899 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	\$ (409,054)	\$ (2,436,500)	\$ (2,845,554)
2017	(409,054)	(2,436,500)	(2,845,554)
2018	(409,054)	(2,436,500)	(2,845,554)
2019	(409,053)	(2,436,501)	(2,845,554)
Total	\$ (1,636,215)	\$ (9,746,001)	\$(11,382,216)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 15,178,927	\$ 10,639,165	\$ 6,820,833

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 79,583,923	\$ 55,571,840	\$ 35,300,217

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$126,706.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$151,655, \$126,059, and \$109,159, respectively. 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$241,626, and \$235,928 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 16 - 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 revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 4,124,620
Net adjustment for revenue accruals	920,619
Net adjustment for expenditure accruals	3,449,691
Net adjustment for other sources/uses	(786,768)
Funds budgeted elsewhere	102,857
Adjustment for encumbrances	724,212
GAAP basis	<u>\$ 8,535,231</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.

NOTE 17 - 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, 2015, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 17 - CONTINGENCIES - (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 18 - 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, 2014	\$ -
Current year set-aside requirement	596,982
Current year qualifying expenditures	(719,434)
Current year offsets	<u>(1,031,057)</u>
Total	<u>\$ (1,153,509)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u><u>\$ -</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, 2015
(Continued)

NOTE 19 - 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	\$ 522,929
Nonmajor governmental funds	<u>652,757</u>
Total	<u>\$ 1,175,686</u>

NOTE 20 - 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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.02102210%	0.02102210%
District's proportionate share of the net pension liability	\$ 10,639,165	\$ 12,501,168
District's covered-employee payroll	\$ 6,108,608	\$ 6,177,045
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	202.38%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.22854701%	0.22854701%
District's proportionate share of the net pension liability	\$ 55,571,840	\$ 66,219,091
District's covered-employee payroll	\$ 23,343,338	\$ 25,407,615
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	260.63%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

THIS PAGE INTENTIONALLY LEFT BLANK

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 706,664	\$ 846,653	\$ 854,903	\$ 870,570	\$ 799,373
Contributions in relation to the contractually required contribution	<u>(706,664)</u>	<u>(846,653)</u>	<u>(854,903)</u>	<u>(870,570)</u>	<u>(799,373)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 5,361,639	\$ 6,108,608	\$ 6,177,045	\$ 6,472,639	\$ 6,359,372
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 896,581	\$ 664,257	\$ 616,603	\$ 787,209	\$ 859,363
<u>(896,581)</u>	<u>(664,257)</u>	<u>(616,603)</u>	<u>(787,209)</u>	<u>(859,363)</u>
<u>\$ -</u>				
\$ 6,621,721	\$ 6,750,579	\$ 6,279,053	\$ 7,370,871	\$ 8,122,524
13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 2,761,235	\$ 3,034,634	\$ 3,302,990	\$ 3,443,850	\$ 3,506,000
Contributions in relation to the contractually required contribution	<u>(2,761,235)</u>	<u>(3,034,634)</u>	<u>(3,302,990)</u>	<u>(3,443,850)</u>	<u>(3,506,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 19,723,107	\$ 23,343,338	\$ 25,407,615	\$ 26,491,154	\$ 26,969,231
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 3,570,326	\$ 3,661,097	\$ 3,520,661	\$ 3,920,776	\$ 4,003,487
<u>(3,570,326)</u>	<u>(3,661,097)</u>	<u>(3,520,661)</u>	<u>(3,920,776)</u>	<u>(4,003,487)</u>
<u>\$ -</u>				
\$ 27,464,046	\$ 28,162,285	\$ 27,082,008	\$ 30,159,815	\$ 30,796,054
13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

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	\$ 6,449	\$ 6,449
National School Lunch Program	10.555	122,536	122,536
Non-Cash Assistance Subtotal:		128,985	128,985
Cash Assistance:			
School Breakfast Program	10.553	421,060	421,060
National School Lunch Program	10.555	1,017,756	1,017,756
Cash Assistance Subtotal:		1,438,816	1,438,816
Total Child Nutrition Cluster		1,567,801	1,567,801
Fresh Fruit and Vegetable Program	10.582	54,513	54,513
TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,622,314	1,622,314
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	3,054,634	3,022,698
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	1,162,422	1,179,611
Special Education-Preschool Grants (IDEA Preschool)	84.173	43,646	45,544
Total Special Education Cluster		1,206,068	1,225,155
Adult Education - Basic Grants to States	84.002	248,606	248,606
Career and Technical Education - Basic Grants to States	84.048	143,754	134,002
Improving Teacher Quality State Grants	84.367	439,539	437,084
School Improvement Grants	84.377	87,371	86,477
Education for Homeless Children and Youth	84.196	48,249	45,677
Education Jobs Fund	84.410	632	632
TOTAL U.S. DEPARTMENT OF EDUCATION		5,228,853	5,200,331
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Education</i>			
Job Opportunities and Basic Skills Training	93.561	-	5,254
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	5,254
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		\$ 6,851,167	\$ 6,827,899

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, 2015**

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.



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, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 9, 2016, wherein we noted the District was declared to be in Fiscal Emergency by the Auditor of State on December 17, 2013, and the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*.

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.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 9, 2016



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 each 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, 2015. 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 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, 2015.

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.

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 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 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.

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

February 9, 2016

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 10.553 & 10.555 – Child Nutrition Cluster CFDA # 84.010 – Title I Grants to Local Educational Agencies CFDA # 84.367 – Improving Teacher Quality State Grants
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

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

FINDING NUMBER 2015-001

Public Money Illegally Expended – Finding for Recovery

On June 27, 2014, the District issued a direct deposit to the bank account of Desiree Holland in the amount of \$2,934. The District subsequently discovered an error in the amount paid and issued a written check for the correct amount of \$3,404. As a result, Ms. Holland was overpaid in the amount of \$2,934. Ms. Holland was made aware of the overpayment, however, Ms. Holland's bank was unable to return the original direct deposit amount. Ms. Holland made two payments totaling \$115 towards repaying the overpayment, but has not made any additional attempts to return the remainder of the overpayment to the District. As a result, Ms. Holland still owes the District \$2,819.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against the Desiree Holland in the amount of \$2,819 and in favor of the District's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against former Treasurer Rosetta Stephens and her bonding company, RLI Insurance Company, jointly and severally, in the amount of \$2,819 and in favor of the District's General Fund.

Officials' Response: We did not receive a response from Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

None

**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Noncompliance - OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .200(b)	Yes	
2014-002	Noncompliance/Material Weakness – 2 CFR Part 180.300 – Procurement and Suspension and Debarment	Yes	

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
MARCH 29, 2016**