

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2008***

JAMES A. LEHMANN, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Trustees
Mansfield City School District
PO Box 1448
Mansfield, Ohio 44902-1205

We have reviewed the *Independent Auditor's Report* of the Mansfield City School District, Richland County, prepared by Julian & Grube, Inc. for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 25, 2009

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Mansfield City School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Mansfield City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

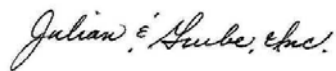
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2009, on our consideration of Mansfield City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Mansfield City School District
Page Two

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

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



Julian & Grube, Inc.
February 6, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$5,320,567 which represents a 9.11% increase from 2007.
- General revenues accounted for \$49,381,224 in revenue or 72.67% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$18,566,857 or 27.33% of total revenues of \$67,948,081.
- The District had \$63,624,240 in expenses related to governmental activities; only \$18,566,857 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$49,381,224 were 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 \$50,414,343 in revenues and \$46,343,650 in expenditures and other financing uses. During fiscal year 2008, the general funds fund balance, increased \$4,077,446 from a deficit balance of \$5,329,826 to a deficit of \$1,252,380.
- The debt service fund had \$1,986,258 in revenues and \$2,002,809 in expenditures. The debt service fund's fund balance decreased \$16,551 from \$10,416,014 to \$10,399,463.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-70 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 47,730,882	\$ 43,722,586
Capital assets, net	<u>57,660,606</u>	<u>59,864,631</u>
Total assets	<u>105,391,488</u>	<u>103,587,217</u>
<u>Liabilities</u>		
Current liabilities	22,432,754	23,835,858
Long-term liabilities	<u>19,266,563</u>	<u>21,379,755</u>
Total liabilities	<u>41,699,317</u>	<u>45,215,613</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	41,845,804	42,779,830
Restricted	20,507,539	19,618,184
Unrestricted (deficit)	<u>1,338,828</u>	<u>(4,026,410)</u>
Total net assets	<u>\$ 63,692,171</u>	<u>\$ 58,371,604</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$63,692,171.

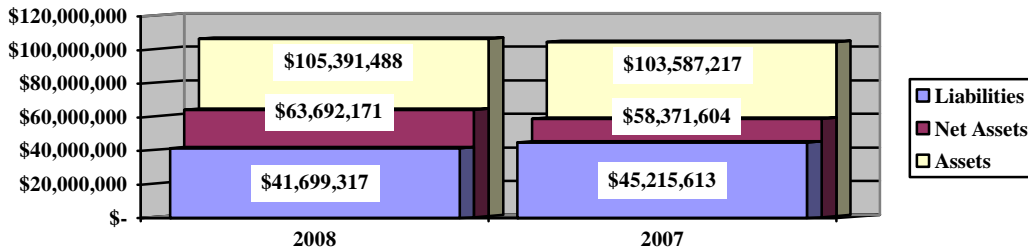
**MANSFIELD CITY SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

At year-end, capital assets represented 54.71% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$41,845,804. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$20,507,539, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$1,338,828.

Governmental Activities



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues:		
Charges for services and sales	\$ 3,237,164	\$ 4,217,457
Operating grants and contributions	15,301,939	16,391,106
Capital grants and contributions	27,754	-
General revenues:		
Property taxes	21,049,058	18,448,067
Grants and entitlements	26,863,911	26,431,901
Investment earnings	739,165	1,187,802
Other	729,090	595,663
Total revenues	\$ 67,948,081	\$ 67,271,996

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 20,553,474	\$ 22,451,268
Special	6,826,514	8,428,293
Vocational	1,429,530	1,570,830
Adult	243,415	449,634
Other	9,841,133	6,294,268
Support services:		
Pupil	2,744,334	3,176,968
Instructional staff	3,142,467	4,625,519
Board of education	17,688	18,414
Administration	2,965,716	4,312,460
Fiscal	1,016,690	1,020,952
Business	1,362,884	1,258,753
Operations and maintenance	5,430,091	5,467,290
Pupil transportation	1,856,838	1,840,769
Central	1,031,254	1,016,374
Food service operations	2,073,818	2,600,416
Operations of non-instructional services	761,998	2,093,769
Extracurricular activities	1,535,079	924,384
Interest and fiscal charges	791,317	855,622
Total expenses	<u>63,624,240</u>	<u>68,405,983</u>
Change in net assets	5,320,567	(1,133,987)
Net assets at beginning of year	<u>58,371,604</u>	<u>59,505,591</u>
Net assets at end of year	<u>\$ 63,692,171</u>	<u>\$ 58,371,604</u>

Governmental Activities

Net assets of the District's governmental activities increased \$5,320,567. Total governmental expenses of \$63,624,240 were offset by program revenues of \$18,566,857 and general revenues of \$49,381,224. Program revenues supported 29.18% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 70.51% of total governmental revenue. The increase in property taxes is due to the passage of an operating levy.

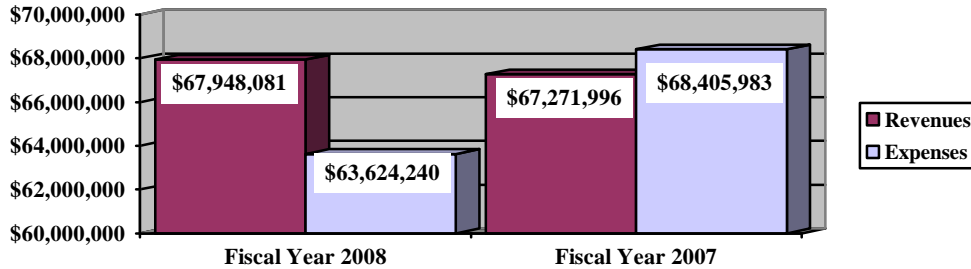
The largest expense of the District is for instructional programs. Instruction expenses totaled \$38,894,066 or 61.13% of total governmental expenses for fiscal year 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

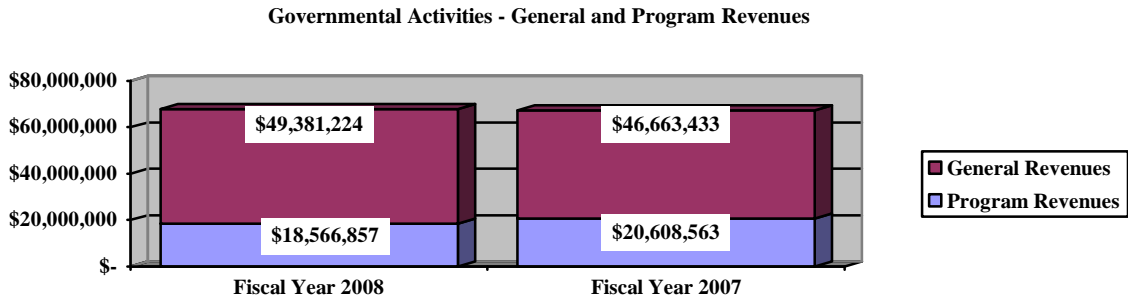
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 20,553,474	\$ 14,478,423	\$ 22,451,268	\$ 15,826,780
Special	6,826,514	2,508,293	8,428,293	3,510,731
Vocational	1,429,530	627,389	1,570,830	984,635
Adult	243,415	(18,627)	449,634	(18,502)
Other	9,841,133	8,882,683	6,294,268	5,892,638
Support services:				
Pupil	2,744,334	2,641,062	3,176,968	3,035,701
Instructional staff	3,142,467	1,228,467	4,625,519	1,535,866
Board of education	17,688	17,688	18,414	18,414
Administration	2,965,716	2,484,581	4,312,460	3,882,700
Fiscal	1,016,690	949,116	1,020,952	979,458
Business	1,362,884	1,362,884	1,258,753	1,255,828
Operations and maintenance	5,430,091	5,404,719	5,467,290	5,449,955
Pupil transportation	1,856,838	1,485,778	1,840,769	1,521,350
Central	1,031,254	982,826	1,016,374	938,071
Food service operations	2,073,818	(156,959)	2,600,416	123,775
Operations of non-instructional services	761,998	134,244	2,093,769	1,529,990
Extracurricular activities	1,535,079	1,253,499	924,384	474,408
Interest and fiscal charges	791,317	791,317	855,622	855,622
Total expenses	<u>\$ 63,624,240</u>	<u>\$ 45,057,383</u>	<u>\$ 68,405,983</u>	<u>\$ 47,797,420</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The dependence upon tax and other general revenues for governmental activities is apparent, 68.08% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.82%. The District's taxpayers and unrestricted grants and entitlements from the State, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$18,457,061, which is higher than last year's total of \$13,141,076. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase <u>(Decrease)</u>
General	\$ (1,252,380)	\$ (5,329,826)	\$ 4,077,446
Debt Service	10,399,463	10,416,014	(16,551)
Other Governmental	<u>9,309,978</u>	<u>8,054,888</u>	<u>1,255,090</u>
Total	<u>\$18,457,061</u>	<u>\$ 13,141,076</u>	<u>\$ 5,315,985</u>

General Fund

The District's general fund balance increased \$4,077,446. The increase in fund balance is due to cuts in spending, including staff reduction and building closures along with the passage of an operating levy. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	2008 <u>Amount</u>	2007 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 17,926,701	\$15,649,907	14.55 %
Tuition	837,937	1,152,954	(27.32) %
Earnings on investments	660,640	1,158,695	(42.98) %
Intergovernmental	29,039,842	28,725,689	1.09 %
Other revenues	<u>1,949,223</u>	<u>2,082,914</u>	(6.42) %
Total	<u>\$ 50,414,343</u>	<u>\$48,770,159</u>	3.37 %
<u>Expenditures</u>			
Instruction	\$ 29,563,388	\$30,916,709	(4.38) %
Support services	15,479,518	18,409,133	(15.91) %
Operation of non-instructional services	912,473	1,387,615	(34.24) %
Extracurricular activities	<u>386,047</u>	<u>487,521</u>	(20.81) %
Total	<u>\$ 46,341,426</u>	<u>\$51,200,978</u>	(9.49) %

The increase in taxes is primarily due to the passage of an operating levy which provided new funds to the District. The decrease in tuition is due to a decline in open enrollment. The decrease in interest revenue is due to a decrease in interest rates on the District's investments. The decrease in expenditures is due to the District's cost cutting measures, which included the closure of the central administration building, Carpenter Elementary, Ranchwood Elementary, and Sherman. Along with the closure of buildings, the District reduced both certified and classified positions to align staffing with enrollment.

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.

During the course of fiscal year 2008, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues and other financing sources were \$48,801,073. The actual revenues and other financing sources for fiscal year 2008 totaled \$50,041,596, which were \$1,240,523 higher than the final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$49,832,285. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$48,479,047, which was \$1,353,238 lower than the final budgeted appropriations.

Debt Service Fund

The debt service fund balance decreased \$16,551 during the course of fiscal year 2008. The debt service fund had revenues of \$1,986,258 and expenses of \$2,002,809.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$57,660,606 invested in land, land improvements, buildings and improvements, furniture and equipment vehicles and textbooks. This entire amount is reported in governmental activities.

The following table shows fiscal year 2008 balances compared to 2007:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>
Land	\$ 5,135,808	\$ 5,181,759
Land improvements	1,708,229	1,847,555
Building and improvements	47,841,444	49,307,390
Furniture and equipment	1,803,302	2,110,260
Vehicles	561,960	655,560
Textbooks	<u>609,863</u>	<u>762,107</u>
Total	<u>\$57,660,606</u>	<u>\$59,864,631</u>

The overall decrease in capital assets of \$2,204,025 is due to depreciation expense of \$2,216,696 exceeding capital outlay of \$95,198 in the fiscal year. The increase in capital outlay is a result of acquisition of miscellaneous equipment and land and building improvements.

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

Debt Administration

At June 30, 2008, the District had \$16,042,072 in general obligation bonds. Of this total, \$1,275,000 is due within one year and \$14,767,072 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End		
	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
General obligation bonds - 1999	\$ 159,802	\$ 239,802
General obligation bonds - 2000	2,000,000	3,000,000
General obligation bonds - 2005	<u>13,882,270</u>	<u>13,972,140</u>
Total	<u>\$ 16,042,072</u>	<u>\$ 17,211,942</u>

At June 30, 2008, the District's overall legal debt margin was \$34,994,673 with an unvoted debt margin of \$449,000.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Current Financial Related Activities

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

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

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.

A challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Subsequent decisions by the Supreme Court has upheld this earlier decision. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth.

As a result, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the students desired needs over the next several years.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government	Component Units		
	Governmental Activities	Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy
Assets:				
Equity in pooled cash and investments	\$ 21,725,023	\$ 201,660	\$ 417,599	\$ 146,067
Cash with escrow agent	9,285	-	-	-
Receivables:				
Taxes	24,788,585	-	-	-
Accounts	27,505	-	-	-
Intergovernmental	818,340	86,506	48,396	242,847
Accrued interest	18,052	-	-	-
Prepayments	17,287	2,463	2,424	944
Materials and supplies inventory	141,856	-	-	-
Unamortized bond issue costs	184,949	-	-	-
Capital assets:				
Land	5,135,808	-	-	-
Depreciable capital assets, net	52,524,798	3,638	14,308	13,534
Capital assets, net	<u>57,660,606</u>	<u>3,638</u>	<u>14,308</u>	<u>13,534</u>
Total assets	<u>105,391,488</u>	<u>294,267</u>	<u>482,727</u>	<u>403,392</u>
Liabilities:				
Accounts payable	260,221	165	9,833	7,868
Contracts payable	176,454	-	-	-
Retainage payable	9,285	-	-	-
Accrued wages and benefits	4,424,785	-	-	-
Pension obligation payable	1,135,490	-	-	-
Intergovernmental payable	395,685	2,503	19,244	46,222
Accrued interest payable	52,644	-	-	-
Claims payable	800,000	-	-	-
Unearned revenue	15,178,190	-	-	-
Long-term liabilities:				
Due within one year	1,633,661	-	-	-
Due in more than one year	17,632,902	-	-	-
Total liabilities	<u>41,699,317</u>	<u>2,668</u>	<u>29,077</u>	<u>54,090</u>
Net Assets:				
Invested in capital assets, net of related debt	41,845,804	3,638	14,308	13,534
Restricted for:				
Capital projects	6,811,930	-	-	-
Debt service	10,743,456	-	-	-
Classroom facilities maintenance	1,923,695	-	-	-
Locally funded programs	46,864	-	-	-
State funded programs	336,532	-	-	-
Federally funded programs	354,242	13,781	68,986	178,073
Student activities	37,488	-	-	-
Public school support	160,326	-	-	-
Other purposes	93,006	-	-	-
Unrestricted	<u>1,338,828</u>	<u>274,180</u>	<u>370,356</u>	<u>157,695</u>
Total net assets	<u>\$ 63,692,171</u>	<u>\$ 291,599</u>	<u>\$ 453,650</u>	<u>\$ 349,302</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 20,553,474	\$ 1,900,434	\$ 4,174,617	\$ -
Special	6,826,514	371,052	3,947,169	-
Vocational	1,429,530	-	802,141	-
Adult.	243,415	96,117	165,925	-
Other	9,841,133	-	958,450	-
Support services:				
Pupil.	2,744,334	21,690	81,582	-
Instructional staff	3,142,467	13,226	1,900,774	-
Board of education	17,688	-	-	-
Administration.	2,965,716	5,606	475,529	-
Fiscal.	1,016,690	-	67,574	-
Business.	1,362,884	-	-	-
Operations and maintenance	5,430,091	14,285	11,087	-
Pupil transportation.	1,856,838	79,802	263,504	27,754
Central	1,031,254	-	48,428	-
Operation of non-instructional services:				
Food service operations	2,073,818	453,372	1,777,405	-
Other non-instructional services	761,998	-	627,754	-
Extracurricular activities.	1,535,079	281,580	-	-
Interest and fiscal charges	791,317	-	-	-
Total governmental activities	<u>\$ 63,624,240</u>	<u>\$ 3,237,164</u>	<u>\$ 15,301,939</u>	<u>\$ 27,754</u>
Component Units:				
Mansfield Enhancement Academy.	\$ 538,883	\$ -	\$ 44,032	\$ -
Interactive Media and Construction, Inc.	659,821	-	119,261	-
Mansfield Elective Academy.	320,191	-	210,729	-
Totals	<u>\$ 1,518,895</u>	<u>\$ -</u>	<u>\$ 374,022</u>	<u>\$ -</u>

General Revenues:

Property taxes levied for:

- General purposes
- Special revenue
- Debt service.
- Capital projects
- Grants and entitlements not restricted to specific programs.
- Investment earnings
- Miscellaneous
- Total general revenues.

Special item:

- Gain on sale of capital assets.
- Change in net assets

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government		Component Units		
Governmental Activities	Mansfield Enhancement Academy	Interactive Media and Construction, Inc.	Mansfield Elective Academy	
\$ (14,478,423)	\$ -	\$ -	\$ -	\$ -
(2,508,293)	-	-	-	-
(627,389)	-	-	-	-
18,627	-	-	-	-
(8,882,683)	-	-	-	-
(2,641,062)	-	-	-	-
(1,228,467)	-	-	-	-
(17,688)	-	-	-	-
(2,484,581)	-	-	-	-
(949,116)	-	-	-	-
(1,362,884)	-	-	-	-
(5,404,719)	-	-	-	-
(1,485,778)	-	-	-	-
(982,826)	-	-	-	-
156,959	-	-	-	-
(134,244)	-	-	-	-
(1,253,499)	-	-	-	-
(791,317)	-	-	-	-
(45,057,383)	-	-	-	-
-	(494,851)	-	-	-
-	-	(540,560)	-	-
-	-	-	(109,462)	-
-	(494,851)	(540,560)	(109,462)	-
18,609,820	-	-	-	-
203,035	-	-	-	-
1,256,496	-	-	-	-
979,707	-	-	-	-
26,863,911	518,938	830,143	351,670	-
739,165	9,930	8,714	866	-
729,090	-	-	-	-
49,381,224	528,868	838,857	352,536	-
996,726	-	-	-	-
5,320,567	34,017	298,297	243,074	-
58,371,604	257,582	155,353	106,228	-
\$ 63,692,171	\$ 291,599	\$ 453,650	\$ 349,302	-

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ -	\$ 9,759,439	\$ 10,652,134	\$ 20,411,573
Cash with escrow agents	9,285	-	-	9,285
Receivables:				
Taxes	21,597,512	1,759,147	1,431,926	24,788,585
Accounts	18,395	-	8,623	27,018
Intergovernmental	533,231	-	285,109	818,340
Accrued interest	18,052	-	-	18,052
Interfund receivable	15,000	362,903	-	377,903
Prepayments	17,287	-	-	17,287
Materials and supplies inventory	103,742	-	38,114	141,856
Total assets	<u>\$ 22,312,504</u>	<u>\$ 11,881,489</u>	<u>\$ 12,415,906</u>	<u>\$ 46,609,899</u>
Liabilities:				
Accounts payable	\$ 158,949	\$ -	\$ 101,272	\$ 260,221
Contracts payable	-	-	176,454	176,454
Retainage payable	9,285	-	-	9,285
Accrued wages and benefits	3,447,092	-	977,693	4,424,785
Compensated absences payable	49,339	-	-	49,339
Pension obligation payable	868,129	-	267,361	1,135,490
Intergovernmental payable	304,906	1,737	89,042	395,685
Interfund payable	362,903	-	15,000	377,903
Deferred revenue	5,148,459	396,637	600,390	6,145,486
Unearned revenue	13,215,822	1,083,652	878,716	15,178,190
Total liabilities	<u>23,564,884</u>	<u>1,482,026</u>	<u>3,105,928</u>	<u>28,152,838</u>
Fund Balances:				
Reserved for encumbrances	209,523	-	1,174,424	1,383,947
Reserved for materials and supplies inventory	103,742	-	38,114	141,856
Reserved for prepayments	17,287	-	-	17,287
Reserved for property tax unavailable for appropriation	3,052,857	250,324	202,984	3,506,165
Reserved for debt service	-	10,149,139	-	10,149,139
Reserved for school bus purchase	93,006	-	-	93,006
Unreserved, undesignated (deficit) reported in:				
General fund	(4,728,795)	-	-	(4,728,795)
Special revenue funds	-	-	2,215,809	2,215,809
Capital projects funds	-	-	5,678,647	5,678,647
Total fund balances (deficit)	<u>(1,252,380)</u>	<u>10,399,463</u>	<u>9,309,978</u>	<u>18,457,061</u>
Total liabilities and fund balances	<u>\$ 22,312,504</u>	<u>\$ 11,881,489</u>	<u>\$ 12,415,906</u>	<u>\$ 46,609,899</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 18,457,061
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		57,660,606
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent taxes	\$ 5,555,496	
Intergovernmental receivables	571,957	
Accrued interest	18,033	
Total		6,145,486
Unamortized bond issuance costs are not recognized in the funds		184,949
Unamortized deferred charges are not recognized in the funds		980,626
Unamortized premiums on bond issuance are not recognized in the funds.		(1,165,574)
Accrued interest payable is not due and payable within the current period and is therefore not reported in the funds.		(52,644)
An internal service fund is used by management to charge the costs of hospital/medical insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		513,937
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(2,990,204)	
General obligation bonds payable	(16,042,072)	
Total		(19,032,276)
		\$ 63,692,171
Net assets of governmental activities		

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 17,926,701	\$ 1,360,227	\$ 1,205,824	\$ 20,492,752
Tuition.	837,937	-	8,935	846,872
Transportation fees	50,290	-	-	50,290
Charges for services	-	-	439,657	439,657
Earnings on investments.	660,640	-	65,662	726,302
Extracurricular.	-	-	297,945	297,945
Classroom materials and fees	-	-	192,920	192,920
Other local revenues.	1,898,933	-	239,637	2,138,570
Intergovernmental - state	29,038,918	626,031	5,876,561	35,541,510
Intergovernmental - federal	924	-	7,096,811	7,097,735
Total revenue	50,414,343	1,986,258	15,423,952	67,824,553
Expenditures:				
Current:				
Instruction:				
Regular	14,337,233	-	5,211,738	19,548,971
Special.	5,097,064	-	1,614,777	6,711,841
Vocational.	1,341,244	-	136,415	1,477,659
Adult/Continuing	-	-	256,417	256,417
Other.	8,787,847	-	1,055,147	9,842,994
Support services:				
Pupil.	2,621,568	-	106,835	2,728,403
Instructional staff	1,139,102	-	2,114,467	3,253,569
Board of education	17,688	-	-	17,688
Administration.	2,399,041	-	526,953	2,925,994
Fiscal	927,945	34,964	104,696	1,067,605
Business	1,360,372	-	-	1,360,372
Operations and maintenance.	4,317,020	-	970,222	5,287,242
Pupil transportation	1,697,090	-	56,726	1,753,816
Central.	999,692	-	44,899	1,044,591
Operation of non-instructional services:				
Food service operations	-	-	2,075,146	2,075,146
Other non-instructional services.	912,473	-	623,302	1,535,775
Extracurricular activities.	386,047	-	342,637	728,684
Facilities acquisition and construction	-	-	3,209	3,209
Debt service:				
Principal retirement	-	1,270,000	-	1,270,000
Interest and fiscal charges	-	697,845	-	697,845
Total expenditures	46,341,426	2,002,809	15,243,586	63,587,821
Excess of revenues over (under) expenditures	4,072,917	(16,551)	180,366	4,236,732
Other financing sources (uses):				
Transfers in	-	-	2,224	2,224
Transfers (out).	(2,224)	-	-	(2,224)
Total other financing sources (uses)	(2,224)	-	2,224	-
Special item:				
Sale of capital assets.	6,753	-	1,072,500	1,079,253
Net change in fund balances	4,077,446	(16,551)	1,255,090	5,315,985
Fund balances (deficit) at beginning of year.	(5,329,826)	10,416,014	8,054,888	13,141,076
Fund balances (deficit) at end of year	\$ (1,252,380)	\$ 10,399,463	\$ 9,309,978	\$ 18,457,061

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, 2008

Net change in fund balances - total governmental funds	\$	5,315,985
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 95,198	
Current year depreciation	<u>(2,216,696)</u>	
Total		(2,121,498)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(82,527)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	556,306	
Interest	18,033	
Intergovernmental	<u>(450,811)</u>	
Total		123,528
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,270,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	6,658	
Amortization of bond premium	60,029	
Amortization of bond issue costs	(9,525)	
Amortization of deferred charges on refundings	(50,504)	
Accreted interest on capital appreciation bonds	<u>(100,130)</u>	
Total		(93,472)
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.		
		624,270
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>284,281</u>
Change in net assets of governmental activities	\$	<u>5,320,567</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 16,967,287	\$ 16,967,287	\$ 17,398,595	\$ 431,308
Tuition.	823,466	823,466	844,399	20,933
Transportation.	49,043	49,043	50,290	1,247
Earnings on investments.	804,655	804,655	825,109	20,454
Other local revenues	1,541,164	1,541,164	1,580,340	39,176
Intergovernmental - state	28,109,256	28,109,256	28,823,793	714,537
Intergovernmental - federal.	901	901	924	23
Total revenue	<u>48,295,772</u>	<u>48,295,772</u>	<u>49,523,450</u>	<u>1,227,678</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,811,542	15,811,542	15,522,337	289,205
Special.	5,416,871	5,416,871	5,317,792	99,079
Vocational.	1,501,908	1,501,908	1,474,437	27,471
Other.	8,984,703	8,984,703	8,820,366	164,337
Support services:				
Pupil.	2,763,266	2,763,266	2,712,724	50,542
Instructional staff	1,176,958	1,176,958	1,155,431	21,527
Board of education	23,185	23,185	22,761	424
Administration.	2,528,995	2,528,995	2,482,738	46,257
Fiscal	948,070	948,070	930,729	17,341
Business	1,441,831	1,441,831	1,415,459	26,372
Operations and maintenance.	4,576,034	4,576,034	4,492,335	83,699
Pupil transportation	1,748,473	1,748,473	1,716,492	31,981
Central.	1,082,287	1,082,287	1,062,491	19,796
Operation of non-instructional services	977,693	977,693	959,810	17,883
Extracurricular activities.	396,701	396,701	389,445	7,256
Total expenditures	<u>49,378,517</u>	<u>49,378,517</u>	<u>48,475,347</u>	<u>903,170</u>
Excess of revenues over (under) expenditures.	<u>(1,082,745)</u>	<u>(1,082,745)</u>	<u>1,048,103</u>	<u>2,130,848</u>
Other financing sources (uses):				
Refund of prior year expenditure.	297,082	297,082	304,634	7,552
Refund of prior year receipts	(1,504)	(1,504)	(1,476)	28
Transfers (out)	(2,265)	(2,265)	(2,224)	41
Advances in.	201,633	201,633	206,759	5,126
Sale of assets.	6,586	6,586	6,753	167
Total other financing sources (uses)	<u>501,532</u>	<u>501,532</u>	<u>514,446</u>	<u>12,914</u>
Net change in fund balance	(581,213)	(581,213)	1,562,549	2,143,762
Fund balance (deficit) at beginning of year.	(3,142,156)	(3,142,156)	(3,142,156)	-
Prior year encumbrances appropriated	882,285	882,285	882,285	-
Fund balance (deficit) at end of year	<u>\$ (2,841,084)</u>	<u>\$ (2,841,084)</u>	<u>\$ (697,322)</u>	<u>\$ 2,143,762</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and investments.	\$ 1,313,450
Receivables:	
Accounts	<u>487</u>
 Total assets	 <u>1,313,937</u>
Liabilities:	
Claims payable	<u>800,000</u>
Total liabilities	<u>800,000</u>
Net assets:	
Unrestricted	<u>513,937</u>
Total net assets	<u><u>\$ 513,937</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services.	\$ 7,157,558
Total operating revenues	<u>7,157,558</u>
Operating expenses:	
Claims expense.	6,466,467
Purchased services.	406,810
Total operating expenses	<u>6,873,277</u>
Change in net assets.	284,281
Net assets at beginning of year.	<u>229,656</u>
Net assets at end of year	<u>\$ 513,937</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 7,157,071
Cash payments for claims expense	(6,693,692)
Cash payments for purchased services	<u>(406,810)</u>
Net cash provided by operating activities	<u>56,569</u>
Net increase in cash and cash equivalents.	<u>56,569</u>
Cash and investments at beginning of year.	<u>1,256,881</u>
Cash and investments at end of year.	<u><u>\$ 1,313,450</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 284,281
Changes in assets and liabilities:	
(Increase) in accounts receivable.	(487)
Decrease in claims payable	<u>(227,225)</u>
Net cash provided by operating activities	<u><u>\$ 56,569</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 26,525	\$ 888,399
Receivables:		
Accounts	-	73,312
Total assets.	26,525	\$ 961,711
Liabilities:		
Accounts payable.	-	\$ 11,074
Intergovernmental payable	-	923,713
Due to students	-	26,924
Total liabilities	-	\$ 961,711
Net Assets:		
Held in trust for scholarships	26,525	
Total net assets	\$ 26,525	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is a city school district as defined by Section 311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2007, was 4,125. The District employs 425 certified employees, 253 non-certified employees and 27 administrators.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. 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, foods 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. Based upon the application of these criteria, the District has three component units.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

DISCRETELY PRESENTED COMPONENT UNITS

The Mansfield Enhancement Academy

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

Interactive Media and Construction, Inc.

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

The Mansfield Elective Academy

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units can be found in separately issued financial statements.

JOINT VENTURE WITHOUT EQUITY INTEREST

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 2008, the District paid \$119,466 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following are the District's major governmental funds:

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 in a central bank account. 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 2008, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities 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 2008. 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, 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 2008 amounted to \$660,640. The entire amount was assigned from other funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

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

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

M. Fund Balance Reserves

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

N. Prepayments

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

O. Net Assets

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

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

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute for school bus purchases. Since the general fund had a negative cash balance at June 30, 2008, restricted assets will not be presented on the balance sheet. See Note 16 for additional information regarding restricted assets.

R. Interfund Activity

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2008, the District sold four buildings. These transactions are considered a special item.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 1,252,380
<u>Nonmajor governmental funds</u>	
Public school preschool	10,965
Entry year	75
Ohio reads	18,052
Alternative education	33,613
Poverty aid	491,674
Vocational education	13,744

The general fund did not comply with State law, which does not permit a cash-basis deficit at fiscal year-end.

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals normally occur. The deficit fund balances for the nonmajor governmental funds resulted from adjustments for accrued liabilities. The deficit fund balance for the general fund resulted from a cash-basis deficit (see Note 5.A.) and adjustments for accrued liabilities. The deficit balance in the general fund will be eliminated by resources not recognized or recorded at fiscal year-end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

The District had appropriations over resources throughout the fiscal year and at fiscal year end in noncompliance with Ohio Revised Code Sections 5705.36 and 5705.39.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year-end, the District had \$2,937 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of "equity in pooled cash and investments".

B. Cash with Escrow Agent

At fiscal year-end, \$9,285 was on deposit with an escrow agent for retainage held as part of a construction contract. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash with escrow agent".

C. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$(384,490). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$133,922 of the District's bank balance of \$233,922 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

D. Investments

As of June 30, 2008, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	18 to 24 months	Greater than 24 months
FNMA	\$ 1,987,500	\$ -	\$ -	\$ -	\$ -	\$ 1,987,500
Repurchase agreement	21,032,000	21,032,000	-	-	-	-
STAR Ohio	2,000	2,000	-	-	-	-
Total	<u>\$ 23,021,500</u>	<u>\$ 21,034,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,987,500</u>

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

Credit Risk: The District's investments in federal agency securities, and the federal agency securities that underlie the District's repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

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 \$21,032,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 1,987,500	8.63
Repurchase agreement	21,032,000	91.36
STAR Ohio	<u>2,000</u>	<u>0.01</u>
Total	<u>\$ 23,021,500</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (384,490)
Investments	23,021,500
Cash with escrow agent	9,285
Cash on hand	<u>2,937</u>
Total	<u>\$ 22,649,232</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 21,734,308
Private-purpose trust fund	26,525
Agency funds	<u>888,399</u>
Total	<u>\$ 22,649,232</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 15,000
Debt service	General	362,903

The primary purpose of the interfund balances is to cover the costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. The interfund loan between the debt service fund and the general fund was required to cover a negative cash balance in the general fund at June 30, 2008. Interfund balances between governmental funds are eliminated on 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, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from Nonmajor governmental funds to:	
Nonmajor governmental funds	\$ 2,224

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

Interfund transfers between governmental funds are eliminated on the governmental-wide financial statements.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$3,052,857 in the general fund, \$250,324 in the debt service fund, \$169,626 in the permanent improvement fund (a nonmajor governmental fund) and \$33,358 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$2,406,340 in the general fund, \$289,846 in the debt service fund, \$169,545 in the permanent improvement capital projects fund (a nonmajor governmental fund) and \$30,133 in the classroom facilities maintenance fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 434,207,070	85.14	\$ 433,832,730	90.60
Public utility personal	110,520	0.02	137,470	0.03
Tangible personal property	<u>75,687,253</u>	<u>14.84</u>	<u>44,888,864</u>	<u>9.37</u>
Total	<u>\$ 510,004,843</u>	<u>100.00</u>	<u>\$ 478,859,064</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$60.55		\$69.25	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported in the statement of net assets follows:

Governmental activities

Taxes	\$ 24,788,585
Accounts	27,505
Intergovernmental	818,340
Accrued interest	<u>18,052</u>
Total	<u>\$ 25,652,482</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/08</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 5,181,759	\$ -	\$ (45,951)	\$ 5,135,808
Total capital assets, not being depreciated	<u>5,181,759</u>	<u>-</u>	<u>(45,951)</u>	<u>5,135,808</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,007,825	-	(50,085)	2,957,740
Buildings and improvements	68,539,116	-	(1,716,726)	66,822,390
Furniture and equipment	6,532,491	55,288	(452,887)	6,134,892
Vehicles	2,104,928	39,910	-	2,144,838
Textbooks	3,043,838	-	-	3,043,838
Total capital assets, being depreciated	<u>83,228,198</u>	<u>95,198</u>	<u>(2,219,698)</u>	<u>81,103,698</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,160,270)	(138,166)	48,925	(1,249,511)
Buildings and improvements	(19,231,726)	(1,442,279)	1,693,059	(18,980,946)
Furniture and equipment	(4,422,231)	(350,497)	441,138	(4,331,590)
Vehicles	(1,449,368)	(133,510)	-	(1,582,878)
Textbooks	(2,281,731)	(152,244)	-	(2,433,975)
Total accumulated depreciation	<u>(28,545,326)</u>	<u>(2,216,696)</u>	<u>2,183,122</u>	<u>(28,578,900)</u>
Governmental activities capital assets, net	<u>\$ 59,864,631</u>	<u>\$ (2,121,498)</u>	<u>\$ (82,527)</u>	<u>\$ 57,660,606</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,126,935
Special	305,332
<u>Support services:</u>	
Pupil	102,539
Administration	179,576
Operations and maintenance	286,718
Pupil Transportation	131,016
Extracurricular activities	27,937
Other non-instructional services	22,688
Food service operations	<u>33,955</u>
Total depreciation expense	<u>\$ 2,216,696</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2008, the following changes occurred in governmental activities long term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
General obligation bonds - 1999	\$ 239,802	\$ -	\$ (80,000)	\$ 159,802	\$ 80,000
General obligation bonds - 2000	3,000,000	-	(1,000,000)	2,000,000	1,000,000
General obligation bonds - 2005	13,972,140	100,130	(190,000)	13,882,270	195,000
Compensated absences	<u>3,973,340</u>	<u>309,322</u>	<u>(1,243,119)</u>	<u>3,039,543</u>	<u>358,661</u>
Total governmental activities	<u>\$ 21,185,282</u>	<u>\$ 409,452</u>	<u>\$ (2,513,119)</u>	19,081,615	<u>\$ 1,633,661</u>
Less: deferred charge on refunding				(980,626)	
Add: unamortized premium				<u>1,165,574</u>	
Total on statement of net assets				<u>\$ 19,266,563</u>	

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

B. In 1999, the District issued \$874,802 in general obligation bonds for a new high school. The bonds mature in September 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the Series 1999 general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2009	\$ 80,000	\$ 1,920	\$ 81,920
2010	32,225	47,775	80,000
2011	25,747	44,253	70,000
2012	21,830	43,170	65,000
Total	<u>\$ 159,802</u>	<u>\$ 137,118</u>	<u>\$ 296,920</u>

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

Principal and interest requirements to retire the Series 2000 general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2009	\$ 1,000,000	\$ 93,750	\$ 1,093,750
2010	1,000,000	31,250	1,031,250
Total	<u>\$ 2,000,000</u>	<u>\$ 125,000</u>	<u>\$ 2,125,000</u>

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

The refunding issue is comprised of both current interest bonds, par value \$13,915,000, and capital appreciation bonds, par value \$300,000. The capital appreciation bonds mature on December 1, 2014 and December 1, 2015 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2014 and 2015 are \$1,170,000 and \$1,115,000, respectively. Total accreted interest of \$227,270 has been included in the statement of activities.

The following is a schedule of activity for fiscal year 2008 on the 2005 series refunding bonds:

	Balance 06/30/07	Additions	Reductions	Balance 06/30/08
Current interest bonds	\$ 13,545,000	\$ -	\$ (190,000)	\$ 13,355,000
Capital appreciation bonds	300,000	-	-	300,000
Accreted interest	127,140	100,130	-	227,270
Total refunding bonds	<u>\$ 13,972,140</u>	<u>\$ 100,130</u>	<u>\$ (190,000)</u>	<u>\$ 13,882,270</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 195,000	\$ 530,099	\$ 725,099	\$ -	\$ -	\$ -
2010	200,000	524,076	724,076	-	-	-
2011	1,205,000	501,395	1,706,395	-	-	-
2012	1,195,000	462,395	1,657,395	-	-	-
2013	1,180,000	419,374	1,599,374	-	-	-
2014 - 2018	3,290,000	1,682,212	4,972,212	300,000	1,985,000	2,285,000
2019 - 2023	5,070,000	790,800	5,860,800	-	-	-
2024 - 2028	1,020,000	105,399	1,125,399	-	-	-
Total	<u>\$ 13,355,000</u>	<u>\$ 5,015,750</u>	<u>\$ 18,370,750</u>	<u>\$ 300,000</u>	<u>\$ 1,985,000</u>	<u>\$ 2,285,000</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$34,994,673 (including available funds of \$10,399,463) and an unvoted debt margin of \$449,000.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)

Teachers and classified staff earn sick leave at the rate of one and one-fourth days per month. Classified staff may accumulate up to 255 days of unused sick time if hired before 9/1/93, or 180 days if hired subsequent to 9/1/93. Certified staff may accumulate up to 255 unused sick days. Upon retirement, qualified classified employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 44 days at their per diem rate. Certified employees receive 26% of their accumulated unused sick leave upon retirement.

B. Insurance Benefits

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

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

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

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

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

B. Workers' Compensation Rating Plan

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Medical Benefits

The District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2008, a total expense of \$406,810 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$150,000. The liability for unpaid claims of \$800,000 reported at June 30, 2008 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 2008 and 2007 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 1,027,225	\$ 6,466,467	\$ (6,693,692)	\$ 800,000
2007	1,220,000	7,036,336	(7,229,111)	1,027,225

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$572,363, \$737,087 and \$796,007, respectively; 50.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$3,269,185, \$3,920,776 and \$4,003,487, respectively; 83.61 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$19,102 made by the District and \$55,760 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$408,950, \$368,890 and \$395,637, respectively; 50.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$41,240, \$50,122 and \$63,356, respectively; 50.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$251,476, \$301,598 and \$307,961, respectively; 83.61 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	<u>General fund</u>
Budget basis	\$ 1,562,549
Net adjustment for revenue accruals	890,893
Net adjustment for expenditure accruals	1,787,002
Net adjustment for other sources/uses/special item	(509,917)
Adjustment for encumbrances	<u>346,919</u>
GAAP basis	<u>\$ 4,077,446</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - STATUTORY RESERVES - (Continued)

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

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2007	\$ (2,610,555)	\$ -
Current year set-aside requirement	792,740	792,740
Current year offset	-	(1,013,036)
Qualifying disbursements	(199,247)	(90,587)
Total	\$ (2,017,062)	\$ (310,883)
Balance carried forward to FY 2009	\$ (2,017,062)	\$ -

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

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases in the amount of \$93,006.

Since the general fund had a negative cash balance at June 30, 2008, restricted assets for school bus purchases will not be presented on the balance sheet.

NOTE 17 - FISCAL WATCH

On December 8, 2006, the District was declared to be in a state of "Fiscal Watch" by the Auditor of State. Effective August 16, 2006, legislation permitted this declaration regarding declining District financial conditions. In accordance with this law, within sixty days of the Auditor's declaration of a fiscal watch, the Board of Education of the District has to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the District's current operating deficit and avoid future deficits.

The District did not submit the plan within the sixty day requirement. The District filed its financial plan and was accepted by the Superintendent of Public Instruction on March 12, 2007.

NOTE 18 - INTERACTIVE MEDIA AND CONSTRUCTION, INC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

A. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

Capital Assets - All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The IMAC maintains a capitalization threshold of \$5,000. The IMAC does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

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

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

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

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

Intergovernmental Revenue - The IMAC currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Federal Title V-Innovative Programs grant, the Improving Teacher Quality grant, the Federal Title IV Drug Free Schools grant, the Title II-D Technology Grant and the Federal Start-Up grant. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the IMAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the IMAC on a reimbursement basis. Federal and State grant revenue for the fiscal year 2008 was \$119,261.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

B. Change in Accounting Principles

For fiscal year 2008, the IMAC has implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the IMAC.

C. Deposits

At June 30, 2008, the carrying amount of the IMAC's deposits was \$417,599. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$317,009 of the IMAC's bank balance of \$417,009 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

D. Capital Assets

	Balance <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/08</u>
Capital assets, being depreciated:				
Equipment	\$ 18,695	\$ -	\$ -	\$ 18,695
Less: accumulated depreciation	<u>(2,626)</u>	<u>(1,761)</u>	<u>-</u>	<u>(4,387)</u>
Capital assets	<u>\$ 16,069</u>	<u>\$ (1,761)</u>	<u>\$ -</u>	<u>\$ 14,308</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

E. Receivables

The IMAC had the following intergovernmental receivables at June 30, 2008:

IDEA Part B	\$ 15,632
Title I	30,331
Title II-D	265
Title V	282
Title IV-A	475
Title II-A	<u>1,411</u>
Total	<u>\$ 48,396</u>

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

F. Purchased Services

For the period ended June 30, 2008, purchased services expenses were as follows:

Professional and technical services	\$ 465,489
Property rental	58,272
Travel and meetings	277
Communications	1,264
Pupil transportation	1,318
Contracted services	1,890
Other	<u>92,026</u>
Total	<u>\$ 620,536</u>

G. Risk Management

The IMAC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For the period July 1, 2007 through June 30, 2008, the IMAC maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The IMAC provides employee bond coverage through The Cincinnati Insurance Company in the following amounts: Treasurer \$25,000 and Board of Directors \$20,000.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

H. Contingencies

Grants - The IMAC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the IMAC at June 30, 2008.

Litigation - A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending and the effect of this suit, if any, on the IMAC cannot presently be determined.

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

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The IMAC has an immaterial receivable in the amount of \$13,626 due in fiscal year 2009, as a result of the reviews.

I. Service Agreement

The IMAC is contracting with the Sponsor to manage its operations for school years 2008 through 2011. All services are to be provided on a purchased service or reimbursement basis. The IMAC paid \$563,118 to the Sponsor for educational, fiscal and administrative services during 2008.

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

A. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

Cash - Cash held by the Academy is reflected as “cash and cash equivalents” on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2008, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

Capital Assets - All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$5,000. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

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

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

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

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

Intergovernmental Revenue - The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Federal Title V-Innovative Programs grant, the Improving Teacher Quality grant, the Federal Title IV Drug Free Schools grant, the Title II-D Technology Grant, the State Core grant and the EMIS grant. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2008 was \$44,032.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

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

B. Change in Accounting Principles

For fiscal year 2008, the Academy has implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Academy.

C. Deposits

At June 30, 2008, the carrying amount of all Academy deposits was \$201,660. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$108,364 of the Academy's bank balance of \$208,364 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

D. Capital Assets

	Balance <u>6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/08</u>
Capital assets, being depreciated:				
Equipment	\$ 5,198	\$ -	\$ -	\$ 5,198
Less: accumulated depreciation	<u>(520)</u>	<u>(1,040)</u>	<u>-</u>	<u>(1,560)</u>
Capital assets, net	<u>\$ 4,678</u>	<u>\$ (1,040)</u>	<u>\$ -</u>	<u>\$ 3,638</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

E. Receivables

The Academy had the following intergovernmental receivables at June 30, 2008:

IDEA-Part B	\$ 29,419
Title I	4,451
Title V	207
Title VI-A	672
Title II-A	786
Title II-D	15
IMAC	17,369
Mansfield Elective Academy	<u>33,587</u>
Total	<u>\$ 86,506</u>

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

F. Purchased Services

For fiscal year ended June 30, 2008, purchased services expenses were as follows:

Professional and technical services	\$ 449,815
Property services	59,584
Pupil transportation	2,314
Travel and meetings	511
Communications	2,209
Contracted trade	<u>5,087</u>
Total	<u>\$ 519,520</u>

G. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2008, the Academy maintains comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides employee bond coverage through Cincinnati Insurance in the following amounts: Treasurer \$25,000 and Board of Directors \$20,000.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 19 - MANSFIELD ENHANCEMENT ACADEMY - (Continued)

H. Contingencies

Grants - The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

Litigation - A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending and the effect of this suit, if any, on the Academy cannot presently be determined.

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

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the state, upon which State foundation funding is calculated. The Academy has an immaterial liability in the amount of \$5,799 due in fiscal year 2009, as a result of the reviews.

I. Service Agreement

The Academy is contracting with the Sponsor to manage its operations for school years 2005 through 2010. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$521,451 in fiscal year 2008 to the Sponsor for educational and administrative services.

NOTE 20 - MANSFIELD ELECTIVE ACADEMY

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

A. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

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

Cash - Cash held by the Elective Academy is reflected as "cash and cash equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2008, the Elective Academy had no investments. All monies received by the Elective Academy are deposited in a demand deposit account.

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

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

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

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

Intergovernmental Revenue - The Elective Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Federal Title V-Innovative Programs grant, the Improving Teacher Quality grant, the Federal Title IV Drug Free Schools grant, the Title II-D Technology Grant, the public charter school grant and the EMIS grant. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Elective Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Elective Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2008 was \$205,729.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

B. Change in Accounting Principles

For fiscal year 2008, the Elective Academy has implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Elective Academy.

C. Deposits

At June 30, 2008, the carrying amount of the Elective Academy's deposits was \$146,067. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$79,463 of the Elective Academy's bank balance of \$179,463 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

D. Capital Assets

	Balance			Balance
	<u>6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/08</u>
Capital assets, being depreciated:				
Equipment	\$ -	\$ 16,917	\$ -	\$ 16,917
Less: accumulated depreciation	<u>-</u>	<u>(3,383)</u>	<u>-</u>	<u>(3,383)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 13,534</u>	<u>\$ -</u>	<u>\$ 13,534</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

E. Receivables

Mansfield Elective Academy had the following intergovernmental receivables at June 30, 2008:

State Foundation	\$ 50,714
IDEA Part B	32,098
Title I	23,055
Title II-D	152
Title V	181
Charter Schools	135,000
Title IV-A	314
Title II-A	<u>1,333</u>
Total	<u>\$ 242,847</u>

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

F. Purchased Services

For the period ended June 30, 2008, purchased services expenses were as follows:

Professional and technical services	\$ 178,927
Property rental	27,642
Travel and meetings	1,056
Communications	568
Contracted trade	6,547
Other	<u>60,400</u>
Total	<u>\$ 275,140</u>

G. Risk Management

The Elective Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2008, the Elective Academy maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The Elective Academy provides employee bond coverage through Cincinnati Insurance Company in the following amounts: Treasurer \$25,000 and Board of Directors \$20,000.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 20 - MANSFIELD ELECTIVE ACADEMY - (Continued)

H. Contingencies

Grants - The Elective Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Elective Academy at June 30, 2008.

Litigation - A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending, and the effect of this suit, if any, on the Elective Academy cannot presently be determined.

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

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation Funding is calculated. As a result of the review after fiscal year end, the Ohio Department of Education owed the Elective Academy \$46,904. Also, at fiscal year end the Ohio Department of Education owed the Elective Academy \$3,810 from an underpayment of a monthly foundation settlement. Both amounts are reflected as an intergovernmental receivable on the basic financial statements.

I. Service Agreement

The Elective Academy is contracting with the Sponsor to manage its operations for school years 2007 through 2011. All services are to be provided on a purchased service or reimbursement basis. The Elective Academy paid \$113,491 to the Sponsor for educational and administrative services during 2008.

J. Operating Lease - Lessee Disclosure

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

SUPPLEMENTARY DATA

**MANSFIELD CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(F) PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C) Food Donation	10.550	N/A	\$ 121,720	\$ 121,720
Total Food Donation Program			<u>121,720</u>	<u>121,720</u>
Nutrition Cluster:				
(A) (D) School Breakfast Program	10.553	2008	461,853	461,853
Total School Breakfast Program			<u>461,853</u>	<u>461,853</u>
(A) (D) National School Lunch Program	10.555	2008	1,375,463	1,375,463
Total National School Lunch Program			<u>1,375,463</u>	<u>1,375,463</u>
Total Nutrition Cluster			<u>1,837,316</u>	<u>1,837,316</u>
Total U.S. Department of Agriculture			<u>1,959,036</u>	<u>1,959,036</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(H) Adult Education State Grant Program	84.002	2007	3,443	-
(H) Adult Education State Grant Program	84.002	2008	234,055	194,042
Adult Education State Grant Program	84.002	2007	(271)	161
Adult Education State Grant Program	84.002	2008	32,760	29,722
Total Adult Education State Grant Program			<u>269,987</u>	<u>223,925</u>
(G) Title I Grants to Local Educational Agencies:	84.010	2007	152,262	229,468
Title I Grants to Local Educational Agencies	84.010	2008	1,715,320	1,405,195
(H) Title I Grants to Local Educational Agencies:	84.010	2007	1,488	45,620
(H) Title I Grants to Local Educational Agencies:	84.010	2008	204,577	170,386
Title I Grants to Local Educational Agencies:	84.010	2007	18,507	45,207
Title I Grants to Local Educational Agencies:	84.010	2008	440,982	389,374
Title I Grants to Local Educational Agencies:	84.010	2007	3,740	6,412
Title I Grants to Local Educational Agencies	84.010	2008	50,552	41,648
Total Title I Grants to Local Educational Agencies			<u>2,587,428</u>	<u>2,333,310</u>
Special Education Cluster:				
(B), (H) Special Education Grants to States	84.027	2007	(21,945)	178,712
(B), (H) Special Education Grants to States	84.027	2008	1,537,059	1,271,955
(B), (H) Special Education Grants to States	84.027	2007	(8,099)	1,536
(B), (H) Special Education Grants to States	84.027	2008	92,289	39,159
Total Special Education Grants to States			<u>1,599,304</u>	<u>1,491,362</u>
(B), (H) Special Education Preschool Grants	84.173	2007	(8,292)	4,858
(B), (H) Special Education Preschool Grants	84.173	2008	63,955	42,873
Total Special Education Preschool Grants			<u>55,663</u>	<u>47,731</u>
Total Special Education Cluster			<u>1,654,967</u>	<u>1,539,093</u>
Vocational Education Basic Grants to States	84.048	2007	-	2,457
Vocational Education Basic Grants to States	84.048	2008	178,199	174,991
Total Vocational Education Basic Grants to State			<u>178,199</u>	<u>177,448</u>
Safe and Drug-Free Schools and Communities State Grant:	84.186	2007	9,066	13,326
Safe and Drug-Free Schools and Communities State Grant:	84.186	2008	40,486	27,954
Total Safe and Drug-Free Schools and Communities State Grants			<u>49,552</u>	<u>41,280</u>
(H) Education for Homeless Children and Youth:	84.196	2007	3,251	3,859
(H) Education for Homeless Children and Youth:	84.196	2008	40,138	39,497
Total Education for Homeless Children and Youth			<u>43,389</u>	<u>43,356</u>
Twenty-First Century Community Learning Center	84.287	2007	38,758	42,100
Twenty-First Century Community Learning Center	84.287	2008	173,028	166,002
Total Twenty-First Century Community Learning Centers			<u>211,786</u>	<u>208,102</u>
(H) State Grants for Innovative Programs:	84.298	2007	(6,947)	630
(H) State Grants for Innovative Programs:	84.298	2008	18,763	11,434
Total State Grants for Innovative Programs			<u>11,816</u>	<u>12,064</u>
(H) Education Technology State Grant:	84.318	2007	(3,374)	805
(H) Education Technology State Grant:	84.318	2008	50,666	31,017
Education Technology State Grants	84.318	2007	-	9,256
Total Education Technology State Grant:			<u>47,292</u>	<u>41,078</u>

- continued

**MANSFIELD CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS
(H) Comprehensive School Reform Demonstration	84.332	2007	(30,219)	33,608
(H) Comprehensive School Reform Demonstration	84.332	2008	125,000	125,000
Total Comprehensive School Reform Demonstration			<u>94,781</u>	<u>158,608</u>
(G), (H) Improving Teacher Quality State Grants	84.367	2007	(114,517)	71,649
Improving Teacher Quality State Grants	84.367	2008	495,837	401,284
Total Improving Teacher Quality State Grants			<u>381,320</u>	<u>472,933</u>
Total U.S. Department of Education			<u>5,530,517</u>	<u>5,251,197</u>
Total Federal Financial Assistance			<u>\$ 7,489,553</u>	<u>\$ 7,210,233</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs
- (B) Included as part of "Special Education Grant Cluster" in determining major programs.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (E) This schedule was prepared on the cash basis of accounting
- (F) OAKS did not assign pass-through numbers for fiscal year 2008
- (G) Amount of \$149,604 transferred from Improving Teacher Quality State Grants to Title I Grants to Local Educational Agencies based on Ohio Department of Education administrative action and transferability guidelines.
- (H) The District generally must spend Federal Assistance within 15 months of receipt (funds must be obligated by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal Assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity and transferring the amounts ODE approves between the special cost center. During fiscal year 2008, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Adult Education State Grant Program	84.002	2007	\$ 1,303	
Adult Education State Grant Program	84.002	2008		\$ 1,303
Title I Grants to Local Educational Agencies	84.010	2007	8,711	
Title I Grants to Local Educational Agencies	84.010	2008		8,711
Special Education Grants to States	84.027	2007	30,044	
Special Education Grants to States	84.027	2008		30,044
Special Education Preschool Grants	84.173	2007	8,292	
Special Education Preschool Grants	84.173	2008		8,292
Education for Homeless Children and Youth	84.196	2007	1,002	
Education for Homeless Children and Youth	84.196	2008		1,002
State Grants for Innovative Programs	84.298	2007	6,947	
State Grants for Innovative Programs	84.298	2008		6,947
Education Technology State Grants	84.318	2007	3,374	
Education Technology State Grants	84.318	2008		3,374
Comprehensive School Reform Demonstration	84.332	2007	30,219	
Comprehensive School Reform Demonstration	84.332	2008		30,219
Improving Teacher Quality State Grants	84.367	2007	55,334	
Improving Teacher Quality State Grants	84.367	2008		55,334
			<u>\$ 145,226</u>	<u>\$ 145,226</u>

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



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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mansfield City School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Mansfield City School District's basic financial statements and have issued our report thereon dated February 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Board of Education
Mansfield City School District

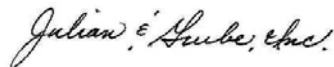
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mansfield City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2008-MCSD-001 and 2008-MCSD-002.

We noted certain other matters that we reported to the management of Mansfield City School District in a separate letter dated February 6, 2009.

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

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



Julian & Grube, Inc.
February 6, 2009



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

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

Compliance

We have audited the compliance of Mansfield City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2008. Mansfield City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Mansfield City School District's management. Our responsibility is to express an opinion on Mansfield City School District's compliance based on our audit.

Mansfield City School District's basic financial statements include the operations of the Interactive Media and Construction, Inc., Mansfield Elective Academy and Mansfield Enhancement Academy, component units of Mansfield City School District. Interactive Media and Construction, Inc., received \$68,057 and expended \$35,792 in federal awards during fiscal year 2008 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Mansfield City School District for the fiscal year ended June 30, 2008. Mansfield Elective Academy received \$24,147 and expended \$41,853 in federal awards during fiscal year 2008 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Mansfield City School District for the fiscal year ended June 30, 2008. Mansfield Enhancement Academy received \$5,897 and expended \$33,886 in federal awards during fiscal year 2008 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Mansfield City School District for the fiscal year ended June 30, 2008. Our audit of federal awards, described below, did not include the operations of Interactive Media and Construction, Inc., Mansfield Elective Academy and Mansfield Enhancement Academy. These component units individually expended less than \$500,000 for the fiscal year ended June 30, 2008 and thus were not required to have an audit of their Federal Awards in accordance with *OMB Circular A-133*.

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

Board of Education
Mansfield City School District

In our opinion, Mansfield City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

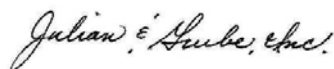
The management of Mansfield City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mansfield City School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

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

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

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

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



Julian & Grube, Inc.
February 6, 2009

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I, Grants to Local Educational Agencies - CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2008-MCSD-001

Ohio Revised Code Section 5705.36 in part requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The District had appropriations exceeding estimated resources and thus did not request timely amended certificates throughout the year and at fiscal year end June 30, 2008.

With appropriations exceeding estimated resources the District is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Client Response: The District Treasurer will attempt to prepare modifications to amended certificates throughout the year and certify them to the County Auditor.

Finding Number	2008-MCSD-002
----------------	---------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

The District had appropriations exceeding the total estimated resources in the following funds:

<u>December 31, 2007</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
<u>Major Fund</u>			
General	\$ 48,500,001	\$ 45,658,917	2,841,084
<u>Nonmajor Fund</u>			
Total State Grants (all 400 funds)	4,800,000	1,279,319	3,520,681
 <u>June 30, 2008</u>			
<u>Major Fund</u>			
General	48,500,001	45,658,917	2,841,084
<u>Nonmajor Funds</u>			
Total State Grants (all 400 funds)	5,588,495	1,279,319	4,309,176

With appropriations exceeding estimated resources the District is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-MCSD-002 - (Continued)

We recommend that the District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Client Response: The District Treasurer is attempting to prepare modifications to amended certificates throughout the year and certify them to the County Auditor.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-MCSD-001	Ohio Revised Code Section 3316.04 in part requires that within sixty days of the auditor's declaration under division (A) of Section 3316.04 of the Revised Code, the Board of Education shall prepare and submit to the Superintendent of public instruction a financial plan delineating the steps the Board will take to eliminate the District's current operating deficit and avoid incurring operating deficits in ensuing years.	Yes	N/A
2007-MCSD-002	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.	No	Partially Corrected, moved to management letter
2007-MCSD-003	Ohio Revised Code Section 5705.36 requires in part that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.	No	Repeated as finding 2008-MCSD-001

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-MCSD-004	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Partially Corrected, moved to management letter
2007-MCSD-005	Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.	No	Repeated as finding 2008-MCSD-002



Mary Taylor, CPA
Auditor of State

MANSFIELD CITY SCHOOL DISTRICT

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2009**