

MANSFIELD CITY SCHOOL DISTRICT  
GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002





**Auditor of State  
Betty Montgomery**

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Board of Education  
Mansfield City School District  
53 West Fourth Street  
Mansfield, Ohio 44902

We have reviewed the Independent Auditor's Report of the Mansfield City School District, Richland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2003

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**MANSFIELD CITY SCHOOL DISTRICT**  
**FOR THE YEAR ENDED JUNE 30, 2002**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 31, 2002

The Board of Education  
Mansfield City School District  
Mansfield, Ohio

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of Mansfield City School District, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Mansfield City School District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the 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 October 31, 2002, on our consideration of Mansfield City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Rea & Associates, Inc.*

**MANSFIELD CITY SCHOOL DISTRICT**

*Combined Balance Sheet*  
**All Fund Types and Account Groups**

June 30, 2002

**Governmental Fund Types**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 13,965,487	\$ 2,000,538	\$ 3,849,736	\$ 32,074,479
Cash and Cash Equivalents:				
Restricted Cash	826,980	0	0	0
Receivables:				
Taxes	19,486,725	215,000	4,486,956	1,287,109
Accounts	3,375	719	0	0
Interfund	107,950	0	0	0
Accrued Interest	750,138	0	0	0
Intergovernmental Receivable	19,677	1,498,045	0	16,107,029
Inventory	112,933	0	0	0
Fixed Assets (Net)	0	0	0	0
<b>Total Assets</b>	<b>35,273,265</b>	<b>3,714,302</b>	<b>8,336,692</b>	<b>49,468,617</b>
<b>Other Debits</b>				
Amount Available In Debt Service	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Other Debits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Assets and Other Debits</b>	<b>\$ 35,273,265</b>	<b>\$ 3,714,302</b>	<b>\$ 8,336,692</b>	<b>\$ 49,468,617</b>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 16,638	\$ 28,505	\$ 0	\$ 19,400
Contracts Payable	0	0	0	2,086,335
Accrued Wages and Benefits	3,724,325	952,351	0	0
Compensated Absences Payable	0	0	0	0
Interfund Payable	0	99,750	0	0
Intergovernmental Payable	945,546	243,774	0	0
Deferred Revenue	17,950,274	1,207,207	4,043,333	17,267,002
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>22,636,783</b>	<b>2,531,587</b>	<b>4,043,333</b>	<b>19,372,737</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	540,058	255,558	0	21,047,866
Reserved for Inventory	112,933	0	0	0
Reserved for Budget Stabilization	826,980	0	0	0
Reserved for Tax Revenue Unavailable for Appropriation	1,536,451	0	443,623	127,136
Reserved for Endowment	0	0	0	0
Unreserved:				
Undesignated	9,620,060	927,157	3,849,736	8,920,878
<b>Total Fund Equity and Other Credits</b>	<b>12,636,482</b>	<b>1,182,715</b>	<b>4,293,359</b>	<b>30,095,880</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 35,273,265</b>	<b>\$ 3,714,302</b>	<b>\$ 8,336,692</b>	<b>\$ 49,468,617</b>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency		General Fixed Assets	General Long-Term Obligations		
\$ 1,041,056	\$ 2,041,723	\$ 1,123,061	\$ 0	\$ 0	\$ 56,096,080		
0	0	0	0	0	0	826,980	
0	0	0	0	0	0	25,475,790	
655	10,954	35		0	0	15,738	
0	0	0	0	0	0	107,950	
0	0	0	0	0	0	750,138	
227,476	0	0	0	0	0	17,852,227	
118,063	0	0	0	0	0	230,996	
136,818	0	0	29,872,068	0	0	30,008,886	
<b>1,524,068</b>	<b>2,052,677</b>	<b>1,123,096</b>	<b>29,872,068</b>		<b>0</b>	<b>131,364,785</b>	
0	0	0	0	4,293,359	4,293,359		
0	0	0	0	20,029,692	20,029,692		
0	0	0	0	24,323,051	24,323,051		
<b>\$ 1,524,068</b>	<b>\$ 2,052,677</b>	<b>\$ 1,123,096</b>	<b>\$ 29,872,068</b>	<b>\$ 24,323,051</b>	<b>\$ 155,687,836</b>		
\$ 6,936	\$ 0	\$ 5,375	\$ 0	\$ 0	\$ 76,854		
0	0	0	0	0	2,086,335		
154,373	0	0	0	0	4,831,049		
71,923	0	0	0	1,051,539	1,123,462		
4,800	0	3,400	0	0	107,950		
74,163	0	0	0	371,710	1,635,193		
82,370	0	0	0	0	40,550,186		
0	0	36,854	0	0	36,854		
0	755,600	0	0	0	755,600		
0	0	0	0	22,899,802	22,899,802		
<b>394,565</b>	<b>755,600</b>	<b>45,629</b>		<b>0</b>	<b>24,323,051</b>	<b>74,103,285</b>	
0	0	0	29,872,068	0	29,872,068		
1,129,503	1,297,077	0	0	0	0	2,426,580	
0	0	135,533	0	0	21,979,015		
0	0	0	0	0	112,933		
0	0	0	0	0	826,980		
0	0	0	0	0	2,107,210		
0	0	13,828	0	0	13,828		
0	0	928,106	0	0	24,245,937		
<b>1,129,503</b>	<b>1,297,077</b>	<b>1,077,467</b>	<b>29,872,068</b>	<b>0</b>	<b>81,584,551</b>		
<b>\$ 1,524,068</b>	<b>\$ 2,052,677</b>	<b>\$ 1,123,096</b>	<b>\$ 29,872,068</b>	<b>\$ 24,323,051</b>	<b>\$ 155,687,836</b>		

**MANSFIELD CITY SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances*

**All Governmental Fund Types and Expendable Trust Funds**

For the Year Ended June 30, 2002

<b>Governmental Fund Types</b>					
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Revenues</b>					
Taxes	\$ 17,270,329	\$ 201,601	\$ 3,702,303	\$ 1,143,933	
Intergovernmental	24,450,586	8,843,700	408,733	6,558,484	
Investment Income	2,652,781	18,893	0	733,239	
Tuition and Fees	280,239	0	0	0	
Extracurricular Activities	0	394,776	0	0	
Miscellaneous	187,981	308,451	0	144,000	
<b>Total Revenues</b>	<b>44,841,916</b>	<b>9,767,421</b>	<b>4,111,036</b>	<b>8,579,656</b>	
<b>Expenditures</b>					
Current:					
Instruction					
Regular	19,050,835	4,228,657	0	0	
Special	5,214,491	2,332,814	0	0	
Vocational	1,143,394	169,387	0	0	
Adult Continuing	0	1,694	0	0	
Other	668,059	857	0	0	
Support Services:					
Pupils	2,685,553	403,950	0	7,500	
Instructional Staff	2,574,549	844,080	0	0	
Board of Education	17,351	0	0	0	
Administration	3,879,012	148,972	0	0	
Fiscal	889,846	34,903	0	0	
Business	674,277	0	0	0	
Operation and Maintenance of Plant	3,984,873	30,862	0	588,690	
Pupil Transportation	1,386,799	20,829	0	0	
Central	741,129	39,218	0	0	
Operation of Non-Instructional Services	0	618,465	0	0	
Extracurricular Activities	451,591	422,097	0	0	
Capital Outlay	0	0	0	7,110,888	
Debt Service:					
Principal Retirement	0	0	795,000	0	
Interest and Fiscal Charges	0	0	1,354,794	0	
<b>Total Expenditures</b>	<b>43,361,759</b>	<b>9,296,785</b>	<b>2,149,794</b>	<b>7,707,078</b>	
Excess of Revenues Over (Under) Expenditures	1,480,157	470,636	1,961,242	872,578	
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	47,386	139,242	0	250,000	
Operating Transfers Out	(469,901)	(109,944)	0	(45,725)	
<b>Total Other Financing Sources (Uses)</b>	<b>(422,515)</b>	<b>29,298</b>	<b>0</b>	<b>204,275</b>	
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,057,642	499,934	1,961,242	1,076,853	
Fund Balance (Deficit) at Beginning Of Year	11,577,075	682,781	2,332,117	29,019,027	
Increase (Decrease) in Reserve for Inventory	1,765	0	0	0	
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 12,636,482</b>	<b>\$ 1,182,715</b>	<b>\$ 4,293,359</b>	<b>\$ 30,095,880</b>	

See accompanying notes to the general purpose financial statements.

<b>Fiduciary Fund Type</b>		<b>Totals</b>
<b>Expendable Trust</b>	<b>(Memorandum Only)</b>	
\$	0	\$ 22,318,166
646,174		40,907,677
25,684		3,430,597
0		280,239
0		394,776
1,406,481		2,046,913
<b>2,078,339</b>		<b>69,378,368</b>
20,867		23,300,359
21,892		7,569,197
0		1,312,781
0		1,694
0		668,916
3,196		3,100,199
109,513		3,528,142
0		17,351
264,522		4,292,506
0		924,749
0		674,277
0		4,604,425
0		1,407,628
0		780,347
1,459,846		2,078,311
9,663		883,351
0		7,110,888
0		795,000
0		1,354,794
<b>1,889,499</b>		<b>64,404,915</b>
188,840		4,973,453
129,518		566,146
0		(625,570)
<b>129,518</b>		<b>(59,424)</b>
318,358		4,914,029
732,684		44,343,684
0		1,765
<b>\$ 1,051,042</b>	<b>\$ 49,259,478</b>	

**MANSFIELD CITY SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual*

**All Governmental Fund Types and Expendable Trust Funds**  
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

<b>GENERAL FUND</b>				<b>Variance</b>
<b>Revised</b>	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>	
<b><u>Revenues</u></b>				<b>(Unfavorable)</b>
Taxes	\$ 18,196,279	\$ 16,746,274	\$ (1,450,005)	
Intergovernmental	26,627,781	24,505,896	(2,121,885)	
Investment Income	2,085,904	1,919,685	(166,219)	
Tuition and Fees	324,304	298,461	(25,843)	
Extracurricular Activities	0	0	0	
Miscellaneous	221,125	203,504	(17,621)	
<b>Total Revenues</b>	<b>47,455,393</b>	<b>43,673,820</b>	<b>(3,781,573)</b>	
 <b>Expenditures</b>				
<b>Current:</b>				
Instruction	29,352,850	26,492,427	2,860,423	
Support Services:				
Pupils	2,879,742	2,653,340	226,402	
Instructional Staff	2,727,562	2,477,270	250,292	
Board of Education	19,431	17,351	2,080	
Administration	4,348,595	3,916,108	432,487	
Fiscal	996,428	899,318	97,110	
Business	755,166	697,734	57,432	
Operation and Maintenance of Plant	4,462,686	4,031,469	431,217	
Pupil Transportation	1,555,687	1,394,468	161,219	
Central	829,730	779,032	50,698	
Operation of Non-Instructional Services				
Community Services	0	0	0	
Extracurricular Activities	539,518	481,783	57,735	
Capital Outlay	0	0	0	
Debt Service:				
Principal Retirement	0	0	0	
Interest and Fiscal Charges	0	0	0	
<b>Total Expenditures</b>	<b>48,467,395</b>	<b>43,840,300</b>	<b>4,627,095</b>	
 Excess of Revenues Over (Under) Expenditures		(1,012,002)	(166,480)	845,522
 <b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	11,828	11,828	
Refund of Prior Year Receipts	0	0	0	
Advances In	322,500	327,850	5,350	
Advances Out	(98,400)	(98,350)	50	
Operating Transfers In	0	47,386	47,386	
Operating Transfers Out	(470,000)	(469,901)	99	
<b>Total Other Financing Sources (Uses)</b>	<b>(245,900)</b>	<b>(181,187)</b>	<b>64,713</b>	
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		(1,257,902)	(347,667)	910,235
 Fund Balance (Deficit) at Beginning of Year		14,078,985	14,078,985	0
 Prior Year Encumbrances Appropriated		505,450	505,450	0
 <b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 13,326,533</b>	<b>\$ 14,236,768</b>	<b>\$ 910,235</b>	

See accompanying notes to the general purpose financial statements.

SPECIAL REVENUE FUND			DEBT SERVICE FUND		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 262,531	\$ 201,601	\$ (60,930)	\$ 3,696,846	\$ 3,488,416	\$ (208,430)
11,214,855	8,612,035	(2,602,820)	433,154	408,733	(24,421)
24,603	18,893	(5,710)	0	0	0
0	0	0	0	0	0
514,537	395,120	(119,417)	0	0	0
401,674	308,451	(93,223)	0	0	0
<b>12,418,200</b>	<b>9,536,100</b>	<b>(2,882,100)</b>	<b>4,130,000</b>	<b>3,897,149</b>	<b>(232,851)</b>
9,198,595	6,858,610	2,339,985	0	0	0
535,239	401,668	133,571	0	0	0
1,090,169	891,578	198,591	0	0	0
0	0	0	0	0	0
202,089	150,279	51,810	0	0	0
47,440	34,903	12,537	0	0	0
0	0	0	0	0	0
27,352	20,124	7,228	0	0	0
28,311	20,829	7,482	0	0	0
56,477	41,552	14,925	0	0	0
894,010	727,471	166,539	0	0	0
572,484	445,612	126,872	0	0	0
0	0	0	0	0	0
0	0	0	819,853	795,000	24,853
0	0	0	1,397,147	1,354,794	42,353
<b>12,652,166</b>	<b>9,592,626</b>	<b>3,059,540</b>	<b>2,217,000</b>	<b>2,149,794</b>	<b>67,206</b>
<b>(233,966)</b>	<b>(56,526)</b>	<b>177,440</b>	<b>1,913,000</b>	<b>1,747,355</b>	<b>(165,645)</b>
0	0	0	0	0	0
(60,178)	(46,850)	13,328	0	0	0
16,150	85,750	69,600	0	0	0
(314,100)	(314,100)	0	0	0	0
15,650	139,242	123,592	0	0	0
(109,944)	(109,944)	0	0	0	0
<b>(452,422)</b>	<b>(245,902)</b>	<b>206,520</b>	<b>0</b>	<b>0</b>	<b>0</b>
(686,388)	(302,428)	383,960	1,913,000	1,747,355	(165,645)
1,741,715	1,741,715	0	2,102,381	2,102,381	0
277,673	277,673	0	0	0	0
<b>\$ 1,333,000</b>	<b>\$ 1,716,960</b>	<b>\$ 383,960</b>	<b>\$ 4,015,381</b>	<b>\$ 3,849,736</b>	<b>\$ (165,645)</b>

(continued)

**MANSFIELD CITY SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual*

**All Governmental Fund Types and Expendable Trust Funds**  
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

	<b>CAPITAL PROJECT FUND</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 4,279,376	\$ 1,082,158	\$ (3,197,218)
Intergovernmental	26,006,597	6,576,484	(19,430,113)
Investment Income	2,899,581	733,239	(2,166,342)
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	569,446	144,000	(425,446)
<b>Total Revenues</b>	<b>33,755,000</b>	<b>8,535,881</b>	<b>(25,219,119)</b>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	0	0	0
Support Services:			
Pupils	64,133	7,500	56,633
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	5,033,922	1,607,574	3,426,348
Pupil Transportation	0	0	0
Central	0	170,422	(170,422)
Operation of Non-Instructional Services			
Community Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	44,595,297	25,093,139	19,502,158
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>49,693,352</b>	<b>26,878,635</b>	<b>22,814,717</b>
Excess of Revenues Over (Under) Expenditures	(15,938,352)	(18,342,754)	(2,404,402)
<b>Other Financing Sources (Uses)</b>			
Refund of Prior Year Expenditures	0	209	209
Refund of Prior Year Receipts	(18,000)	(18,000)	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	250,000	250,000
Operating Transfers Out	(45,725)	(45,725)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(63,725)</b>	<b>186,484</b>	<b>250,209</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(16,002,077)	(18,156,270)	(2,154,193)
Fund Balance (Deficit) at Beginning of Year	17,880,432	17,880,432	0
Prior Year Encumbrances Appropriated	11,283,050	11,283,050	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 13,161,405</b>	<b>\$ 11,007,212</b>	<b>\$ (2,154,193)</b>

See accompanying notes to the general purpose financial statements.

EXPENDABLE TRUST FUNDS			TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 26,435,031	\$ 21,518,449	\$ (4,916,582)
1,097,130	711,196	(385,934)	65,379,518	40,814,344	(24,565,174)
39,622	25,684	(13,938)	5,049,710	2,697,501	(2,352,209)
0	0	0	324,304	298,461	(25,843)
0	0	0	514,537	395,120	(119,417)
2,169,753	1,406,506	(763,247)	3,361,998	2,062,461	(1,299,537)
3,306,505	2,143,386	(1,163,119)	101,065,098	67,786,336	(33,278,762)
 72,500	 42,563	 29,937	 38,623,945	 33,393,600	 5,230,345
5,445	3,196	2,249	3,484,559	3,065,704	418,855
186,567	110,613	75,954	4,004,298	3,479,461	524,837
0	0	0	19,431	17,351	2,080
450,642	341,744	108,898	5,001,326	4,408,131	593,195
0	0	0	1,043,868	934,221	109,647
0	0	0	755,166	697,734	57,432
0	0	0	9,523,961	5,659,167	3,864,794
0	0	0	1,583,998	1,415,297	168,701
0	0	0	886,207	991,006	(104,799)
2,501,697	1,531,047	970,650	3,395,707	2,258,518	1,137,189
16,462	9,663	6,799	1,128,464	937,058	191,406
0	0	0	44,595,297	25,093,139	19,502,158
0	0	0	819,853	795,000	24,853
0	0	0	1,397,147	1,354,794	42,353
3,233,313	2,038,826	1,194,487	116,263,226	84,500,181	31,763,045
73,192	104,560	31,368	(15,198,128)	(16,713,845)	(1,515,717)
 0	 0	 0	 0	 12,037	 12,037
(1,000)	(1,000)	0	(79,178)	(65,850)	13,328
46,800	53,900	7,100	385,450	467,500	82,050
(50,500)	(50,500)	0	(463,000)	(462,950)	50
129,518	129,518	0	145,168	566,146	420,978
0	0	0	(625,669)	(625,570)	99
124,818	131,918	7,100	(637,229)	(108,687)	528,542
 198,010	 236,478	 38,468	 (15,835,357)	 (16,822,532)	 (987,175)
611,895	611,895	0	36,415,408	36,415,408	0
70,512	70,512	0	12,136,685	12,136,685	0
\$ 880,417	\$ 918,885	\$ 38,468	\$ 32,716,736	\$ 31,729,561	\$ (987,175)

**MANSFIELD CITY SCHOOL DISTRICT**

*Combined Statement of Revenues,  
Expenses, and Changes in Fund Equity*  
**All Proprietary Fund Types and Non-Expendable Trust Funds**

For the Year Ended June 30, 2002

	<b>Proprietary Fund Types</b>		<b>Fiduciary Fund Type</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Non-Expendable Trust</b>	<b>Totals (Memorandum Only)</b>
<b><u>Operating Revenues</u></b>				
Tuition	\$ 327,920	\$ 0	\$ 0	\$ 327,920
Sales	679,077	0	0	679,077
Charges for Services	0	5,941,609	0	5,941,609
Other Operating Revenues	20,198	0	200	20,398
<b>Total Operating Revenues</b>	<b>1,027,195</b>	<b>5,941,609</b>	<b>200</b>	<b>6,969,004</b>
<b><u>Operating Expenses</u></b>				
Salaries	1,440,898	0	0	1,440,898
Fringe Benefits	538,523	0	0	538,523
Purchased Services	132,997	0	0	132,997
Materials and Supplies	905,999	0	0	905,999
Depreciation	6,884	0	0	6,884
Claims	0	5,999,221	0	5,999,221
<b>Total Operating Expenses</b>	<b>3,025,301</b>	<b>5,999,221</b>	<b>0</b>	<b>9,024,522</b>
Operating Income (Loss)	(1,998,106)	(57,612)	200	(2,055,518)
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Operating Grants	2,097,484	0	0	2,097,484
Interest	36,488	0	0	36,488
<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,133,972</b>	<b>0</b>	<b>0</b>	<b>2,133,972</b>
Net Income (Loss) Before Operating Transfers	135,866	(57,612)	200	78,454
Transfers In	64,732	0	0	64,732
Transfers Out	(10)	0	(5,298)	(5,308)
Net Income (Loss)	200,588	(57,612)	(5,098)	137,878
Retained Earnings/Fund Balance at Beginning of Year	928,915	1,354,689	31,523	2,315,127
<b>Total Fund Equity at End of Year</b>	<b>\$ 1,129,503</b>	<b>\$ 1,297,077</b>	<b>\$ 26,425</b>	<b>\$ 2,453,005</b>

See accompanying notes to the general purpose financial statement.

MANSFIELD CITY SCHOOL DISTRICT

*Combined Statement of Cash Flows*

**All Proprietary Fund Types and Non-Expendable Trust Funds**

For the Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type		
	Enterprise	Internal Service	Non-Expendable Trust	Totals (Memorandum Only)	
<b><u>Cash Flows From Operating Activities</u></b>					
Cash Received from Customers	\$ 812,548	\$ 0	\$ 200	\$ 812,748	
Cash Received from Quasi External Transactions with Other Funds	0	5,942,107	0	5,942,107	
Cash Paid for Goods and Services	(1,093,434)	0	0	(1,093,434)	
Cash Paid to Employees	(1,987,800)	0	0	(1,987,800)	
Cash Paid for Claims	0	(5,960,506)	0	(5,960,506)	
Other Operating Income	20,198	0	0	20,198	
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>(2,248,488)</b>	<b>(18,399)</b>	<b>200</b>	<b>(2,266,687)</b>	
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>					
Investment Earnings	36,488	0	0	36,488	
Grants	2,097,484	0	0	2,097,484	
Transfers In	64,732	0	0	64,732	
Transfers Out	(10)	0	(5,298)	(5,308)	
<b>Net Cash Provided By (Used for) Non-Capital Activities</b>	<b>2,198,694</b>	<b>0</b>	<b>(5,298)</b>	<b>2,193,396</b>	
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>					
Payments for Capital Acquisitions	(5,355)	0	0	(5,355)	
<b>Net Cash Provided By (Used For) Capital and Related Financing Activities</b>	<b>(5,355)</b>	<b>0</b>	<b>0</b>	<b>(5,355)</b>	
Net Increase (Decrease) in Cash and Cash Equivalents	(55,149)	(18,399)	(5,098)	(78,646)	
Cash and Cash Equivalents at Beginning of Year	1,096,205	2,060,122	31,523	3,187,850	
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,041,056</b>	<b>\$ 2,041,723</b>	<b>\$ 26,425</b>	<b>\$ 3,109,204</b>	
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</u></b>					
Operating Income (Loss)	\$ (1,998,106)	\$ (57,612)	\$ 200	\$ (2,055,518)	
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u></b>					
Depreciation	6,884	0	0	6,884	
(Increase) Decrease in Assets:					
Intergovernmental Receivable	(227,476)	0	0	(227,476)	
Accounts Receivable	33,027	498	0	33,525	
Inventory	18,285	0	0	18,285	
Increase (Decrease) in Liabilities:					
Accounts Payable	(4,270)	0	0	(4,270)	
Interfund Payable	(4,550)	0	0	(4,550)	
Deferred Revenue	(23,040)	0	0	(23,040)	
Contracts Payable	(40,863)	0	0	(40,863)	
Wages and Benefits	(13,825)	0	0	(13,825)	
Compensated Absences	5,446	0	0	5,446	
Claims Payable	0	38,715	0	38,715	
<b>Total Adjustments</b>	<b>(250,382)</b>	<b>39,213</b>	<b>0</b>	<b>(211,169)</b>	
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>\$ (2,248,488)</b>	<b>\$ (18,399)</b>	<b>\$ 200</b>	<b>\$ (2,266,687)</b>	
Cash and Cash Equivalents Agency Fund			\$ 1,123,061		
Cash and Cash Equivalents Expendable Trust			(36,854)		
Cash and Cash Equivalents Non-Expendable Trust Funds as of June 30, 2002			(1,059,782)		
			<b>\$ 26,425</b>		

See accompanying notes to the general purpose financial statements.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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***NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY***

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 3311.03 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, 2002, was 6,204. The District employs 643 certificated and 334 non-certificated employees.

The reporting entity is required to be composed of the primary government, component units, and other organizations that are included to ensure that the 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 Mansfield City School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or 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. The District has no component units.

Management believes the financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

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

**(A) *MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION***

The accounts of the Mansfield City School District are organized and operated on the basis of fund and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Mansfield City School District has the following fund types and account groups:

***GOVERNMENTAL FUND TYPES***

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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**Revenues – Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and received 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. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied, (See Note 7). Revenue from grants 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 non-exchange transactions must also be available before it can be recognized.

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

**Deferred Revenue** – Deferred revenue arises 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

The District qualified for the Ohio School Facilities Grant. The balance of the grant yet to be received has been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue

**Expenditures** - Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

**MANSFIELD CITY SCHOOL DISTRICT**  
***Notes to the General Purpose Financial Statements***

**June 30, 2002**

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*General Fund* - used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from proprietary funds.

*Capital Projects Fund* - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

***PROPRIETARY FUND TYPES***

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the board of education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with GASB pronouncements. Proprietary funds include the following fund types:

*Enterprise Funds* - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Fund* - used to account for the financing of goods or services provided by one department or agency to governmental units, on a cost-reimbursement basis.

***FIDUCIARY FUND TYPES***

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

*Expendable Trust Fund* - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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*Nonexpendable Trust Fund* - is an account for endowment-like trust arrangements, accounted for much like a proprietary fund.

*Agency Fund* - custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

**ACCOUNT GROUPS**

The District maintains two account groups as described below:

*General Fixed Assets Account Group* - used to account for fixed assets acquired for general purposes other than those accounted for in proprietary or trust funds.

*General Long-term Obligations Account Group* - used to account for the outstanding principal balances of general obligation bonds, debt, and other long-term obligations not reported in proprietary funds.

**(B) DEPOSITS AND INVESTMENTS**

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. Investments are stated at cost which approximates fair value at year-end.

**(C) RESTRICTED ASSETS**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish reserves for a budget set-aside. The budget set-aside includes refunds from Bureau of Workers' Compensation. A fund balance reserve has also been established.

**(D) RECEIVABLES**

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

**(E) INVENTORIES AND SUPPLIES**

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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**(F) *PREPAID EXPENSES***

The District uses the consumption method to account for prepaid expenses. Under the consumption method the prepaid items are recorded as an expenditure when used.

**(G) *FIXED ASSETS AND DEPRECIATION***

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years.

**(H) *LONG-TERM LIABILITIES***

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term obligations account group.

**(I) *UNPAID COMPENSATED ABSENCES***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' 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 through the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

The total liability for vacation and termination payments has been calculated using pay rates in effect at the balance sheet date and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable salary related payments.

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Debt Account Group. In proprietary funds, the entire amount of eligible compensated absences is reported as a fund liability.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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**(J) FUND EQUITY**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

**(K) TOTAL COLUMNS**

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**(A) BUDGETARY PROCESS**

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

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

**(B) BUDGETARY BASIS**

*Tax Budget*

A budget of estimated revenue and expenditures is submitted to the Richland County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

*Estimated Resources*

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

*Appropriations*

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during

the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

*Encumbrances*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits the sum of expenditures and encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent-year expenditures.

*Budgetary Reporting*

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, relies upon accounting for transactions

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**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types” is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1) Revenues are recorded when received (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
- 4) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- 5) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- 6) The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

**Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)**  
**Reconciliation of Budget Basis to GAAP Basis**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Budget Basis	\$ (347,667)	\$ (302,428)	\$ 1,747,355	\$ (18,156,270)	\$ 236,478
Adjustments, increase (decrease)					
Revenue accruals	828,418	145,571	213,887	43,566	(118,947)
Expenditures accruals	20,195	372,728	0	(1,877,709)	59,919
Encumbrances	556,696	284,063	0	21,067,266	140,908
GAAP basis, as reported	<u>\$ 1,057,642</u>	<u>\$ 499,934</u>	<u>\$ 1,961,242</u>	<u>\$ 1,076,853</u>	<u>\$ 318,358</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

(A) **LEGAL REQUIREMENTS**

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 two 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 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.

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.

**MANSFIELD CITY SCHOOL DISTRICT**  
***Notes to the General Purpose Financial Statements***

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Interim monies can 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 exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's investment pool (Star Ohio);
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days 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 rating classifications by at least two nationally recognized rating agencies.

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 Mansfield City School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific 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.

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**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

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The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

**(B) DEPOSITS**

At year-end, the carrying amount of the Mansfield City School District deposits was \$1,869,559 and the bank balance was \$3,035,207 of which \$200,000 was covered by federal depository insurance, by collateral held by the Mansfield City School District, or by collateral held by a qualified third party trustee in the name of Mansfield City School District.

**(C) INVESTMENTS**

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name.

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterpart is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository.

	Category			Fair Value
	1	2	3	
Repurchase Agreement	\$ 0	\$ 0	\$ 509,836	\$ 509,836
U. S. Government Securities			48,003,140	48,003,140
Investment in State Treasurer's Investment Pool				<u>6,540,525</u>
				<u>\$ 55,053,501</u>

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

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The classification of cash and cash equivalents and investments on the general purpose financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents, and investments on the general purpose financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents</b>	<b>Investments</b>
GASB Statement 9	\$ 56,923,060	\$ 0
U.S. Treasury Obligations and U.S. Agency Issues	(48,003,140)	48,003,140
Repurchase Agreement	(509,836)	509,836
State Treasurer's Pool	<u>(6,540,525)</u>	<u>6,540,525</u>
	<u><u>\$ 1,869,559</u></u>	<u><u>\$ 55,053,501</u></u>

**NOTE 5 - FIXED ASSETS AND ACCUMULATED DEPRECIATION**

**(A) GENERAL FIXED ASSETS ACCOUNT GROUP**

The changes in general fixed assets during the year consisted of:

	<b>Balance 7/1/2001</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/2002</b>
Land, Buildings, and Improvements	\$ 20,131,409	\$ 0	\$ 0	\$ 20,131,409
Furniture and Equipment	551,542	58,476	0	610,018
Vehicles	1,456,295	36,049	31,339	1,461,005
Construction in Progress	<u>2,499,404</u>	<u>5,170,232</u>	<u>0</u>	<u>7,669,636</u>
	<u><u>\$ 24,638,650</u></u>	<u><u>\$ 5,264,757</u></u>	<u><u>\$ 31,339</u></u>	<u><u>\$ 29,872,068</u></u>

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

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**(B) PROPRIETARY FUND TYPE FIXED ASSETS**

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

Enterprise	June 30, 2002
Equipment	\$ 252,109
Less Accum Depreciation	<u>(115,291)</u>
	<u><u>\$ 136,818</u></u>

**NOTE 6 - GENERAL LONG TERM OBLIGATIONS**

	Outstanding June 30, 2001	Additions	Reductions	Outstanding June 30, 2002
<b>General Long-Term Obligations</b>				
General Obligation Bonds				
5.27%, due 09/2011	\$ 779,802	\$ 0	\$ 95,000	\$ 684,802
5.67%, due 12/2027	<u>22,915,000</u>	<u>0</u>	<u>700,000</u>	<u>22,215,000</u>
	<u>23,694,802</u>	<u>0</u>	<u>795,000</u>	<u>22,899,802</u>
Compensated Absences				
Accrued vacations	309,297	326,726	309,297	326,726
Accrued sick leave benefits	<u>529,394</u>	<u>195,419</u>	<u>0</u>	<u>724,813</u>
	<u>838,691</u>	<u>522,145</u>	<u>309,297</u>	<u>1,051,539</u>
Intergovernmental payables				
Accrued SERS/STRS	327,063	331,906	327,063	331,906
SERS Surcharge	<u>40,227</u>	<u>39,804</u>	<u>40,227</u>	<u>39,804</u>
	<u>367,290</u>	<u>371,710</u>	<u>367,290</u>	<u>371,710</u>
	<u><u>\$ 24,900,783</u></u>	<u><u>\$ 893,855</u></u>	<u><u>\$ 1,471,587</u></u>	<u><u>\$ 24,323,051</u></u>

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

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Outstanding general obligation bonds consist of school building construction issues.

General obligation bonds are direct obligations of the District for which it's full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the District.

The annual requirement to amortize all bonded debt outstanding as of June 30, 2002 including interest payments of \$14,130,007 follows:

Year Ending June 30,	<u>General Obligation Bonds</u>
2003	\$ 2,309,165
2004	2,251,568
2005	2,198,403
2006	2,145,898
2007	2,088,168
Thereafter	<u>26,036,607</u>
Total	<u>\$ 37,029,809</u>

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Richland County Auditor is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Richland County Auditor reappraises real property every six years with a triennial update, which was last completed for 1999. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Richland County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 2001 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$66.15 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$42.92 per \$1,000 of assessed valuation for residential and agricultural real property, and \$50.68 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2001 was \$81.42 per \$1,000 of valuation.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

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The property valuation consisted of:

Real Property - 2001	
Residential/Agricultural	\$ 262,573,590
Commercial/Industrial	106,863,420
Public Utilities	97,060
Tangible Personal Property - 2002	
General	79,572,256
Public Utilities	<u>23,048,520</u>
Total valuation	<u><u>\$ 472,154,846</u></u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2002, was \$2,107,210.

***NOTE 8 - INTERFUND TRANSACTIONS***

Interfund balances at June 30, 2002, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	\$ 107,950	\$ 0
Special Revenue	0	99,750
Expendable Trust	0	3,400
Enterprise Funds	<u>0</u>	<u>4,800</u>
	<u><u>\$ 107,950</u></u>	<u><u>\$ 107,950</u></u>

***NOTE 9 - PENSION PLANS***

(A) *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)*

The Mansfield City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

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Plan members are required to contribute 9% of their annual covered salary and Mansfield City School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Mansfield City School District are established and may be amended by the SERS Board of Trustees. The School District's contributions to SERS for the years ending June 30, 2002, 2001 and 2000 were \$1,020,396, \$930,780, and, \$829,326, respectively; 50% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. The amount representing the unpaid contribution for fiscal years 2002, \$512,136 is recorded as a liability within the respective funds and the general long-term obligations account group.

**(B) STATE TEACHERS RETIREMENT SYSTEM (STRS)**

The Mansfield City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and Mansfield City School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Mansfield City School District are established and may be amended by the STRS Board of Trustees. The School District's contributions to STRS for the years ending June 30, 2002, 2001 and 2000 were \$4,151, 208, \$3,931,248, and \$3,289,584, respectively; 84% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. The amount representing the unpaid contribution for fiscal year 2002, \$649,052 is recorded as a liability within the respective funds.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**(A) SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)**

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, (the latest information available) the allocation rate was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400.

**MANSFIELD CITY SCHOOL DISTRICT**  
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Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits was \$315.73 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion employer contributions that were used to fund postemployment benefits was \$784,620.

(B) ***STATE TEACHERS RETIREMENT SYSTEM (STRS)***

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains enterprise funds to account for the operation of school food service and uniform school supplies. Segment information related to these follows:

	Food Services	Uniform Supplies	Adult Education	Total
Operating revenues	<u>\$ 578,542</u>	<u>\$ 100,576</u>	<u>\$ 348,077</u>	<u>\$ 1,027,195</u>
Operating expenses				
Salaries and wages	1,081,665	0	359,233	1,440,898
Fringe benefits	442,758	0	95,765	538,523
Purchased services	121,750	0	11,247	132,997
Materials and supplies	738,691	139,128	28,180	905,999
Depreciation	6,884	0	0	6,884
Total operating expenses	<u>2,391,748</u>	<u>139,128</u>	<u>494,425</u>	<u>3,025,301</u>
Operating income (loss)	(1,813,206)	(38,552)	(146,348)	(1,998,106)
Non-operating revenues, net	1,960,803	0	173,169	2,133,972
Net transfers	<u>0</u>	<u>64,722</u>	<u>0</u>	<u>64,722</u>
Net income (loss)	<u>\$ 147,597</u>	<u>\$ 26,170</u>	<u>\$ 26,821</u>	<u>\$ 200,588</u>
Other information				
Net working capital	<u>\$ 632,443</u>	<u>\$ 170,387</u>	<u>\$ 189,855</u>	<u>\$ 992,685</u>
Fixed assets, net	<u>\$ 136,818</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 136,818</u>
Total assets	<u>\$ 1,139,868</u>	<u>\$ 180,490</u>	<u>\$ 203,710</u>	<u>\$ 1,524,068</u>
Total equity	<u>\$ 769,261</u>	<u>\$ 170,387</u>	<u>\$ 189,855</u>	<u>\$ 1,129,503</u>

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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**NOTE 12 - RISK MANAGEMENT**

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 Coregis Insurance Company. The deductible is \$10,000 per incident on property and \$10,000 per incident on equipment. All vehicles are also insured with Utica National Insurance Company and have a \$500 deductible. All board members, administrators, and employees are covered under a school district liability policy with Nationwide Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 per year, with a \$5,000,000 umbrella. The board members and superintendent have a \$20,000 position bond with Nationwide Insurance Company.

The treasurer is covered under a bond in the amount of \$200,000 provided by the Cincinnati Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

The School 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 2002, a total expense of \$5,999,221 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 cost of \$755,600 reported in the fund at June 30, 2002 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured fund's claims experience and are reported as quasi-external interfund transactions.

The District's claim settlements exceeded insurance coverage for each of the past three years.

Changes in the fund's claims liability amount in 2001 and 2002 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$ 875,553	\$ 4,689,331	\$ 4,847,999	\$ 716,885
2002	\$ 716,885	\$ 5,999,221	\$ 5,960,506	\$ 755,600

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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**NOTE 13 – CONTINGENCIES**

As of June 30, 2002, the District had contractual purchase commitments as follows:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 6/30/2002</u>
Marr, Knapp and Crawfis - Architectural New High School	\$ 2,126,150	\$ 2,005,321	\$ 120,829
Marr, Knapp and Crawfis - Architectural Vocational Ed Wing and Auditorium	260,652	262,639	(1,987)
Schmidt Copement Park Stevens Mehock Soccer Complex	85,500	85,200	300
Adena Corporation Mehock Soccer Complex	1,005,200	195,619	809,581
Bus Garage Renovation	171,000	110,065	60,935
New High School	12,249,966	2,859,669	9,390,297
Contractor Connection Malabar Pool	180,000	68,260	111,740
CTL Engineering New High School	127,280	69,366	57,914
C&T Design New High School	364,400	0	364,400
Fortney & Weygandt New High School	6,204,500	97,053	6,107,447
Guenther Mechanical New High School	6,339,000	524,518	5,814,482
Mansfield Brick New High School	147,000	25,343	121,657
Metal Mark, Inc. New High School	1,655,000	0	1,655,000
Mark Schaffer Excavating New High School	2,716,528	1,882,026	834,502
Vaughn Industries New High School	4,049,000	324,363	3,724,637
Vulcan Enterprises New High School	<u>484,458</u>	<u>9,570</u>	<u>474,888</u>
<b>Totals</b>	<b><u>\$ 38,165,634</u></b>	<b><u>\$ 8,519,012</u></b>	<b><u>\$ 29,646,622</u></b>

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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***NOTE 14 - STATE SCHOOL FUNDING PROGRAM***

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**MANSFIELD CITY SCHOOL DISTRICT**  
*Notes to the General Purpose Financial Statements*

**June 30, 2002**

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**NOTE 15 – STATUTORY RESERVES**

Senate Bill 345, as amended, required the District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the general fund or be left in the account and used by the Board to offset any budget deficit the District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit; for school facility construction, renovation or repair; for textbooks or instructional materials; for purchases of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a state school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2002, the reserve activity (GAAP-basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Reserve	Total
Balance 7/1/01	\$ 0	\$ 0	\$ 826,980	\$ 826,980
Required Set-Aside	763,924	763,924	0	1,527,848
Carry Forward Expenditures 2001	(1,056,344)	0	0	(1,056,344)
Qualifying Expenditures	<u>(1,113,818)</u>	<u>(1,928,324)</u>	<u>0</u>	<u>(3,042,142)</u>
Total	<u>\$ (1,406,238)</u>	<u>\$ (1,164,400)</u>	<u>\$ 826,980</u>	<u>\$ (1,743,658)</u>
Balance Carried Forward FY 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 826,980</u>	
Amount Restricted for Set-Asides			<u>\$ 826,980</u>	
Total Restricted Assets			<u>\$ 826,980</u>	

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount of \$1,406,238 may be used to reduce the set-aside requirements for future years.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 31, 2002

The Board of Education  
Mansfield City School District  
Mansfield, Ohio 44902

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

We have audited the general purpose financial statements of Mansfield City School District, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 31, 2002. We have conducted our audit in accordance with auditing standards in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Mansfield City School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Mansfield City School District in a separate letter dated October 31, 2002.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mansfield City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Education, management, 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.

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 31, 2002

The Board of Education  
Mansfield City School District  
Mansfield, Ohio 44901

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

### **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 each of its major federal programs for the year ended June 30, 2002. Mansfield City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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.

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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars 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 District's 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.

In our opinion, Mansfield City School District complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

**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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

**Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis**

We have audited the general purpose financial statements of Mansfield City School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 31, 2002. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of Mansfield City School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, 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.

*Rea & Associates, Inc.*

**MANSFIELD CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Program Amount	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>						
VAE-2 Basic Grants (GOALS & Carl Perkins)	84.048	CP11-S02	\$ 208,861	\$ 208,861	\$ 136,618	\$ 0
	84.048	CP11-S01	175,907	25,055	12,935	0
Total VAE-2 Basic Grants				233,916	149,553	0
Adult Basic Education	84.002	AB-S2-02	39,150	39,150	33,699	0
	84.002	AB-S1-02	254,184	130,215	130,215	0
	84.002	AB-S1-01C	37,128	6,847	6,847	0
	84.002	AB-S1-01	242,195	0	7,448	0
	84.002	AB-S1-00C	7,843	0	1,022	0
Total Adult Basic Education				176,212	179,231	0
Title I	84.010	C1-S1-02	1,978,293	1,700,315	1,368,682	0
	84.010	C1-SD-02	107,772	95,049	70,077	0
	84.010	C1-S1-01C	202,844	131,805	202,844	0
	84.010	C1-S1-01	1,968,937	196,893	575,212	0
	84.010	C1-SD-01C	6,972	0	6,972	0
	84.010	C1-SD-01	103,973	19,639	36,837	0
	84.010	C1-SD-00	88,111	0	3,038	0
Total Title I				2,143,701	2,263,662	0
Title VI	84.298	C2-S1-02	47,189	27,839	1,181	0
	84.298	C2-S1-01	45,559	0	1,925	0
	84.298	C2-S1-00	47,579	0	139	0
Total Title VI				27,839	3,245	0
Special Education Cluster						
Title VI-B	84.027	6B-SF-02P	659,539	623,474	452,215	0
	84.027	6B-SF-01P	571,857	93,873	140,672	0
Preschool Incentive	84.173	PG-S1-02P	48,074	48,074	39,189	0
	84.173	PG-S1-01P	46,344	4,739	16,282	0
Total Special Education Cluster				770,160	648,358	0
Drug Free School Grant	84.186	DR-S1-02	60,666	46,677	33,331	0
	84.186	DR-S1-01	65,376	6,541	28,903	0
	84.186	DR-S1-00	66,711	0	616	0
Total Drug Free School Grant				53,218	62,850	0
Eisenhower Math & Science	84.281	MS-S1-02	58,300	58,300	29,155	0
	84.281	MS-S1-01	46,433	0	808	0
Total Eisenhower Math & Science				58,300	29,963	0
Performance Incentive/Continuous Improvement	84.276	G2-S1-01	54,675	21,870	48,317	0
	84.276	G2-S2-01	52,100	0	44,066	0
	84.276	G2-S2-00	90,000	0	11,689	0
	84.276	G2-SP-01	2,088	2,088	1,921	0
Total Performance/Continuous Improvement				23,958	105,993	0
Reading Excellence	84.338	RN-S1-00	616,040	198,463	274,346	0
Even Start Family Literacy	84.213	EV-S1-02	221,994	110,996	74,456	0
Title VI-R Class Size Reduction	84.340	CR-S1-02	402,412	281,537	250,344	0
	84.340	CR-S1-01	316,698	60,684	68,691	0
Total Title VI-R				342,221	319,035	0
Teaching American History	84.215	S215X010262	890,440	202,892	202,891	0
Total Department of Education				4,341,876	4,313,583	0
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>						
Nutrition Cluster:						
Food Distribution Program (A)	10.550	N/A	N/A	271,215	0	324,624
School Breakfast Program (B)	10.553	N/A	N/A	374,216	374,216	0
National School Lunch Program (B)	10.555	N/A	N/A	1,207,491	1,207,491	0
Total Department of Agriculture: Nutrition Cluster				1,852,922	1,581,707	324,624
Total Federal Assistance				\$ 6,194,798	\$ 5,895,290	\$ 324,624

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.  
 (B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**MANSFIELD CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>	
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(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a)?	No
(d) (1) (vii)	Major Programs (list):	Title I, Special Education Cluster, Title VI-R 84.010, 84.027 & 84.173, 84.340
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None were noted.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None were noted.



**Auditor of State  
Betty Montgomery**

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**MANSFIELD CITY SCHOOL DISTRICT  
RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 4, 2003**