

Mansfield City School District

* * *

Financial Statements

June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Education
Mansfield City School District
53 West Fourth St.
Mansfield, OH 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, 2004 through June 30, 2005. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 27, 2006

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MANSFIELD CITY SCHOOL DISTRICT
For the year Ended June 30, 2005
Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances To Net Assets Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Changes in Fund Balances of Governmental Funds To the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	20
Statement of Fund Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Assets	25
Statement of Changes in Fiduciary Net Assets	26
Notes to the Basic Financial Statements	27

MANSFIELD CITY SCHOOL DISTRICT

For the year Ended June 30, 2005

Table of Contents

(continued)

	Page
Independent Auditor's 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	54
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	56
Schedule of Expenditures of Federal Awards – CASH BASIS	58
Schedule of Findings and Questioned Costs OMB Circular A-133	60
Schedule of Prior Audit Findings	61

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 20, 2006

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mansfield City School District (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the School District changed its method of accounting for compensated absences from the vesting to the termination method.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2006 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

The Management's Discussion and Analysis on pages 3 through 12 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Hea & Associates, Inc.

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of the Mansfield City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- ❑ General Revenues accounted for \$48.5 million in revenue or 72.9% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$18 million or 27.1% of total revenues of \$66.4 million.
- ❑ Total program expenses were \$73.2 million in governmental activities.
- ❑ In total, net assets decreased \$6.7 million which represents a decrease of 9.6%
- ❑ Outstanding debt decreased from \$20.7 million to \$19.6 million through the payment of bond principal.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Mansfield City School District, the general and the debt service fund are the most significant funds.

Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets and changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

In the Statement of Net Assets and the Statement of Activities, the School District's activities are classified as governmental:

- Governmental Activities - Most of the School District's programs and services are reported here, including food service operations, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

The government-wide financial statements begin on page 13.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 16.

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Proprietary Funds - The School District maintains an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 22.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statements begin on page 25.

Notes to the 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. The notes to the financial statements begin on page 27.

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities	
	2005	(Restated) 2004
Assets		
Current and Other Assets	\$ 51,082,470	\$ 60,993,674
Capital Assets	62,208,443	62,563,046
Total Assets	113,290,913	123,556,720
Liabilities		
Long-Term Liabilities	23,996,475	23,556,044
Other Liabilities	26,071,891	30,053,004
Total Liabilities	50,068,366	53,609,048
Net Assets		
Invested in Capital		
Assets Net of Debt	42,578,641	43,253,330
Restricted	20,669,941	22,893,626
Unrestricted (Deficit)	(26,035)	3,800,716
Total Net Assets	\$ 63,222,547	\$ 69,947,672

Total assets of the School District's governmental activities decreased by \$10.3 million partially due to the timing of intergovernmental receivables. A decrease of approximately \$.3 million in total capital assets reflects depreciation exceeding additional purchases. Total liabilities decreased by \$3.5 million due bond principal payments and decreased payables because of completed construction.

The net assets of the School District's governmental activities decreased \$6.7 million or 9.6%.

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2 shows the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

(Table 2)
Governmental Activities

	2005	(Restated) 2004
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,721,655	\$ 2,414,083
Operating Grants	15,212,583	12,322,332
Capital Grants	42,000	0
<i>General Revenue:</i>		
Property Taxes	21,757,668	22,826,537
Grants and Entitlements	25,358,807	28,965,125
Other	1,334,864	1,203,410
<i>Total Revenues</i>	<u>66,427,577</u>	<u>67,731,487</u>
Program Expenses		
Instruction	39,012,824	38,479,335
Support Services	27,975,504	26,389,717
<i>Operation of Non-Instructional:</i>		
Community Services	819,225	762,732
Lunchroom	2,706,279	2,726,330
Uniform Supplies	177,892	203,492
Adult Education	385,576	544,432
Extracurricular Activities	966,999	961,088
Interest and Fiscal Charges	1,108,403	1,161,568
<i>Total Expenses</i>	<u>73,152,702</u>	<u>71,228,694</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$ (6,725,125)</u>	<u>\$ (3,497,207)</u>

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements. All governmental funds had total revenues of \$66.4 million and expenditures of \$73.2 million.

(Table 3)
Governmental Activities

	2005		Restated 2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 39,012,824	\$ 27,927,612	\$ 38,479,335	\$ 30,640,685
Support Services:				
Pupil and Instructional Staff	7,628,846	5,748,923	8,342,493	6,034,325
Board of Education, Administration				
Fiscal and Business	7,685,714	7,044,711	6,652,664	6,139,692
Operation and Maintenance of Plant	8,919,809	8,839,511	7,642,149	7,622,620
Pupil Transportation and Central	3,741,135	3,390,223	3,752,411	3,696,370
Operation of Non-Instructional	4,088,972	528,721	4,236,986	600,292
Extracurricular Activities	966,999	588,360	961,088	596,727
Interest and Fiscal Charges	1,108,403	1,108,403	1,161,568	1,161,568
Total Expenses	\$ 73,152,702	\$ 55,176,464	\$ 71,228,694	\$ 56,492,279

Instruction and student support services comprise 64% of governmental program expenses. Interest/fiscal charges were nearly 2%. Interest expense was attributable to the outstanding bonds, and fiscal expenses including payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 16% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Mansfield City School District students.

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at year-end.

The School District's governmental funds (as presented on the balance sheet on pages 16-17) reported a total fund balance of \$19.6 million, which is \$6.2 million under last year's balance of \$25.8 million. The most significant changes within the School District's major funds was reported in the General fund with a decrease in fund balance of \$4.6 million.

Major Funds

The general fund is the main operating fund of the School District. At the end of 2005, the fund balance in the general fund was \$.6 million, which is a decrease of \$4.6 million from 2004, which is primarily due to an increase in instructional and administrative expenses.

The debt service fund is the School District fund that accumulates tax revenues to pay general obligation bonds. At the end of 2005, the fund balance in the debt service fund was \$9.3 million, which is an increase of \$1.8 million from 2004.

General Fund Budgeting Highlights

The School 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 2005, the School District only modified its general fund budget toward the end of the fiscal year. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenue and original budget estimates were both \$47.6 million.

Final appropriations of \$53.6 million were \$.6 million higher than the \$53 million in the original budget. Salaries, fringe benefits/health insurance, purchased services and county auditor fees (for tax collections) proved to be higher than anticipated.

Actual revenue was \$1.1 million lower than the final budget and expenditures were \$.8 million below the final budgeted amount.

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$62.2 million invested in land, improvements, buildings, equipment, vehicles and textbooks. Table 4 shows fiscal year 2005 balances compared with 2004.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 5,181,759	\$ 5,181,759
Land Improvements	1,874,108	1,543,980
Buildings and Improvements	50,334,470	50,974,315
Furniture and Equipment	2,869,851	2,907,795
Vehicles	924,588	800,752
Textbooks	<u>1,023,667</u>	<u>1,154,445</u>
Totals	<u>\$ 62,208,443</u>	<u>\$ 62,563,046</u>

The \$.3 million decrease in capital assets was attributable to depreciation exceeding purchases. See Note 9 for additional information.

Debt

At June 30, 2005, the School District had \$19.6 in bonds outstanding with \$1,090,000 due within one year. During fiscal year 2005, \$1,090,000 of general obligation bonds was retired. Table 5 summarizes bonds outstanding.

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2005	Governmental Activities 2004
General Obligation Bonds:		
1999 Renovations	\$ 414,802	\$ 504,802
2000 Additions/Facilities	19,215,000	20,215,000
Totals	\$ 19,629,802	\$ 20,719,802

In 1999, the residents of the Mansfield City School District passed 2 bond issues providing \$24,000,000 for the construction of a new High School. One issue was for \$5,000,000 and the other was for \$17,000,000. These issues were later combined in 2002 so that a single bond debt schedule could be created. The new high school will also include an area for our vocational programs that are currently located through out the district.

Current Issues

The Mansfield City School District continues to receive support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was an Emergency Levy that was originally passed in 1993. This Emergency Levy has been renewed two times since that date. The last renewal of this levy was in May 2003. The residents of Mansfield City Schools also passed a continuing Permanent Improvement Levy in 1996. The Board of Education submitted a new operating levy to the residents of the district in November 2005, but the levy was defeated.

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 a 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 mill 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 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 35% of revenues for governmental activities for the Mansfield City School District in fiscal year 2005.

The School District has also been affected by increased delinquency rates and changes in the 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,

Mansfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Mansfield City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bart Griffith, Treasurer of Mansfield City School District, 53 West Fourth Street, Mansfield, Ohio 44902.

Mansfield City School District

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 24,901,798
Receivables:	
Taxes	23,780,174
Accounts	2,569
Accrued Interest	68,568
Intergovernmental	2,329,361
Nondepreciable Capital Assets	5,181,759
Depreciable Capital Assets (Net)	<u>57,026,684</u>
<i>Total Assets</i>	<u>113,290,913</u>
Liabilities:	
Accounts Payable	756,535
Accrued Wages and Benefits	5,272,231
Intergovernmental Payable	1,670,806
Matured Compensated Absences	67,358
Unearned Revenue	17,363,225
Claims Payable	941,736
Long Term Liabilities:	
Due Within One Year	1,796,389
Due Within More Than One Year	<u>22,200,086</u>
<i>Total Liabilities</i>	<u>50,068,366</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	42,578,641
Restricted for:	
Capital Projects	7,409,261
Debt Service	9,973,162
Other Purposes	3,287,518
Unrestricted	<u>(26,035)</u>
<i>Total Net Assets</i>	<u>\$ 63,222,547</u>

See accompanying notes to the basic financial statements.

Mansfield City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Instruction:				
Regular	\$ 24,492,934	\$ 1,416,209	\$ 4,100,303	\$ 0
Special	9,424,601	0	5,108,929	0
Vocational	1,651,754	0	139,316	0
Adult Continuing	323,082	0	320,455	0
Other	3,120,453	0	0	0
Support Services:				
Pupils	3,166,101	247	82,704	0
Instructional Staff	4,462,745	0	1,796,972	0
Board of Education	18,457	0	0	0
Administration	5,522,069	0	551,523	0
Fiscal	1,071,512	1,197	88,283	0
Business	1,073,676	0	0	0
Operation and Maintenance of Plant	8,919,809	42,000	38,298	0
Pupil Transportation	2,097,880	9,866	278,879	0
Central	1,643,255	1,390	18,777	42,000
Operation of Non-Instructional Services	819,225	32	499,521	0
Food Service Operations	2,706,279	551,326	2,019,933	0
Uniform Supplies	177,892	105,474	0	0
Adult Education	385,576	216,525	167,440	0
Extracurricular Activities	966,999	377,389	1,250	0
Interest and Fiscal Charges	1,108,403	0	0	0
<i>Total Governmental Activities</i>	<u>\$ 73,152,702</u>	<u>\$ 2,721,655</u>	<u>\$ 15,212,583</u>	<u>\$ 42,000</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (Restated)

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Total
Governmental
Activities

\$	(18,976,422)
	(4,315,672)
	(1,512,438)
	(2,627)
	(3,120,453)
	(3,083,150)
	(2,665,773)
	(18,457)
	(4,970,546)
	(982,032)
	(1,073,676)
	(8,839,511)
	(1,809,135)
	(1,581,088)
	(319,672)
	(135,020)
	(72,418)
	(1,611)
	(588,360)
	(1,108,403)
\$	<u>(55,176,464)</u>

	17,051,899
	3,618,889
	1,086,880
	25,358,807
	702,198
	<u>632,666</u>
	48,451,339
	(6,725,125)
	<u>69,947,672</u>
\$	<u>63,222,547</u>

Mansfield City School District
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,424,545	\$ 8,859,280	\$ 10,410,010
Receivables:			
Taxes	18,446,294	4,127,865	1,206,015
Accounts	2,569	0	0
Interfund	15,000	0	0
Accrued Interest	68,568	0	0
Intergovernmental	69,891	0	2,259,470
<i>Total Assets</i>	<u>\$ 23,026,867</u>	<u>\$ 12,987,145</u>	<u>\$ 13,875,495</u>
Liabilities and Fund Balances:			
Liabilities			
Accounts Payable	\$ 333,108	\$ 0	\$ 411,373
Accrued Wages and Benefits	4,237,412	0	1,034,819
Interfund Payable	0	0	15,000
Intergovernmental Payable	1,339,388	0	331,418
Matured Compensated Absences	67,358	0	0
Deferred Revenue	16,436,546	3,678,129	2,361,108
<i>Total Liabilities</i>	22,413,812	3,678,129	4,153,718
Fund Balances:			
Fund Balance:			
Reserved for Encumbrances	623,770	0	2,012,925
Reserved for Tax Revenue Unavailable for Appropriation	2,009,748	449,736	131,397
Unreserved:			
Undesignated, Unreserved Reported in:			
General Fund	(2,020,463)	0	0
Special Revenue Funds	0	0	1,856,318
Debt Service Fund	0	8,859,280	0
Capital Projects Funds	0	0	5,721,137
<i>Total Fund Balances</i>	<u>613,055</u>	<u>9,309,016</u>	<u>9,721,777</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 23,026,867</u>	<u>\$ 12,987,145</u>	<u>\$ 13,875,495</u>

See accompanying notes to the basic financial statements.

Mansfield City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2005*

Total Governmental Funds		
	Total Governmental Fund Balances	\$ 19,643,848
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 23,693,835	Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	62,208,443
23,780,174	Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	
2,569	Grants	\$ 1,286,490
15,000	Delinquent Property Taxes	3,826,068
68,568		5,112,558
2,329,361		
\$ 49,889,507	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	254,173
\$ 744,481	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
5,272,231	General Obligation Bonds	(19,629,802)
15,000	Compensated Absences	(4,366,673)
1,670,806		(23,996,475)
67,358		
22,475,783		
30,245,659	<i>Net Assets of Governmental Activities</i>	<u>\$ 63,222,547</u>
2,636,695		
2,590,881		
(2,020,463)		
1,856,318		
8,859,280		
5,721,137		
19,643,848		
\$ 49,889,507		

Mansfield City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>
Revenues:			
Taxes	\$ 16,838,701	\$ 3,643,693	\$ 1,290,614
Intergovernmental	27,734,638	429,641	13,366,536
Investment Income	601,600	0	100,598
Tuition and Fees	1,416,209	0	216,525
Extracurricular Activities	0	0	384,121
Charges for Services	0	0	656,800
Gifts and Donations	0	0	48,000
Miscellaneous	260,623	0	261,738
<i>Total Revenues</i>	<u>46,851,771</u>	<u>4,073,334</u>	<u>16,324,932</u>
Expenditures:			
Current:			
Instruction:			
Regular	18,936,091	0	4,438,503
Special	6,385,916	0	2,582,248
Vocational	1,467,855	0	166,727
Adult Continuing	0	0	318,850
Other	3,127,710	0	0
Support services:			
Pupils	2,919,196	0	111,214
Instructional Staff	2,614,258	0	1,772,020
Board of Education	18,457	0	0
Administration	4,587,109	0	641,428
Fiscal	881,530	73,389	101,403
Business	1,073,302	0	0
Operation and Maintenance of Plant	5,487,568	0	1,153,178
Pupil Transportation	1,765,267	0	198,992
Central	1,573,913	0	72,223
Operation of Non-Instructional Services	0	0	783,606
Food Service Operations	0	0	2,714,884
Uniform Supplies	0	0	177,892
Adult Education	0	0	383,931
Extracurricular Activities	455,356	0	475,762
Capital Outlay	0	0	3,767,775
Debt Service:			
Principal Retirement	0	1,090,000	0
Interest and Fiscal Charges	0	1,108,403	0
<i>Total Expenditures</i>	<u>51,293,528</u>	<u>2,271,792</u>	<u>19,860,636</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(4,441,757)	1,801,542	(3,535,704)
Other Financing Sources (Uses):			
Proceeds from Sales of Capital Assets	6,039	0	45
Transfers In	0	0	228,426
Transfers Out	(156,305)	0	(72,121)
<i>Total Financing Sources and (Uses)</i>	<u>(150,266)</u>	<u>0</u>	<u>156,350</u>
<i>Net Change in Fund Balance</i>	(4,592,023)	1,801,542	(3,379,354)
<i>Fund Balance (Deficit) at Beginning of Year (Restated)</i>	<u>5,205,078</u>	<u>7,507,474</u>	<u>13,101,131</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 613,055</u>	<u>\$ 9,309,016</u>	<u>\$ 9,721,777</u>

See accompanying notes to the basic financial statements.

Mansfield City School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$ (6,169,835)
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$ 21,773,008	Governmental funds report capital outlays as expenditures,	
41,530,815	however, in the statement of activities, the cost of those	
702,198	assets is allocated over their estimated useful lives as	
1,632,734	depreciation expense. This is the amount by which	
384,121	depreciation exceeded capital outlay in the current period.	
656,800	Capital Asset Additions	\$ 1,949,900
48,000	Current Year Depreciation	<u>(2,304,503)</u> (354,603)
522,361		
67,250,037	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	Grants	(917,425)
	Delinquent Property Taxes	<u>(15,340)</u> (932,765)
23,374,594	Repayment of bond principal is an expenditure in the governmental	
8,968,164	funds, but the repayment reduces long-term liabilities in the	
1,634,582	statement of net assets.	
318,850	Bond Principal	1,090,000
3,127,710		
3,030,410	Some expenses reported in the statement of net activities do not	
4,386,278	use the current financial resources and therefore, are not reported	
18,457	as expenditures in governmental funds.	
5,228,537	Compensated Absences	(76,241)
1,056,322		
1,073,302	The internal service fund used by management to charge the costs	
6,640,746	of insurance to individual funds is not reported in the district-wide	
1,964,259	statement of activities. The net revenue (expense) of internal service	
1,646,136	funds is reported with governmental activities.	<u>(281,681)</u>
783,606		
2,714,884	Change in Net Assets of Governmental Activities	<u>\$ (6,725,125)</u>
177,892		
383,931		
931,118		
3,767,775		
1,090,000		
1,108,403		
73,425,956		
(6,175,919)		
6,084		
228,426		
(228,426)		
6,084		
(6,169,835)		
25,813,683		
\$ 19,643,848		

Mansfield City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 17,504,219	\$ 18,125,649	\$ 16,623,491	\$ (1,502,158)
Intergovernmental	27,965,334	27,378,466	27,774,465	395,999
Investment Income	490,077	479,792	486,732	6,940
Tuition and Fees	1,155,318	1,131,703	1,147,433	15,730
Miscellaneous	534,871	523,646	531,220	7,574
<i>Total Revenues</i>	<u>47,649,819</u>	<u>47,639,256</u>	<u>46,563,341</u>	<u>(1,075,915)</u>
Expenditures:				
Current:				
Instruction	30,745,025	31,099,302	30,337,005	762,297
Support Services:				
Pupils	3,063,686	3,098,882	3,034,743	64,139
Instructional Staff	2,672,138	2,702,836	2,689,154	13,682
Board of Education	18,258	18,468	18,469	(1)
Administration	4,170,347	4,218,256	4,177,240	41,016
Fiscal	933,405	944,128	922,045	22,083
Business	1,068,172	1,080,443	1,144,411	(63,968)
Operation and Maintenance of Plant	5,732,877	5,798,737	5,759,120	39,617
Pupil Transportation	1,845,644	1,866,846	1,850,237	16,609
Central	1,584,099	1,602,297	1,723,172	(120,875)
Extracurricular Activities	514,520	520,431	506,561	13,870
Capital Outlay	656,762	664,306	646,602	17,704
<i>Total Expenditures</i>	<u>53,004,933</u>	<u>53,614,932</u>	<u>52,808,759</u>	<u>806,173</u>
Excess of Revenues Over (Under) Expenditures	(5,355,114)	(5,975,676)	(6,245,418)	(269,742)
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	5,800	5,800	6,039	239
Refund of Prior Year Expenditures	30,560	30,560	30,560	0
Refund of Prior Year Receipts	0	(16,600)	(16,593)	7
Advances Out	(2,000)	(2,000)	0	2,000
Transfers In	0	0	0	0
Transfers Out	(161,400)	(161,400)	(159,195)	2,205
<i>Total Other Financing Sources (Uses)</i>	<u>(127,040)</u>	<u>(143,640)</u>	<u>(139,189)</u>	<u>4,451</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(5,482,154)	(6,119,316)	(6,384,607)	(265,291)
<i>Fund Balance (Deficit) at Beginning of Year</i>	9,379,439	9,379,439	9,379,439	0
Prior Year Encumbrances Appropriated	1,059,761	1,059,761	1,059,761	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,957,046</u>	<u>\$ 4,319,884</u>	<u>\$ 4,054,593</u>	<u>\$ (265,291)</u>

See accompanying notes to the basic financial statements.

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Mansfield City School District
Statement of Fund Net Assets
Proprietary Funds
June 30, 2005

	Governmental Activities Internal Service Fund
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,207,963
<i>Total Assets</i>	\$ 1,207,963
Liabilities:	
Current Liabilities:	
Accounts Payable	12,054
Claims Payable	941,736
<i>Total Liabilities</i>	953,790
Net Assets:	
Unrestricted	254,173
Total Net Assets	\$ 254,173

See accompanying notes to the basic financial statements.

Mansfield City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Governmental Activities Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 8,039,944
<i>Total Operating Revenues</i>	8,039,944
Operating Expenses:	
Purchased services	1,225,652
Claims	7,095,973
<i>Total Operating Expenses</i>	8,321,625
<i>Operating Income (Loss)</i>	(281,681)
<i>Net Assets (Deficit) Beginning of Year</i>	535,854
<i>Net Assets (Deficit) End of Year</i>	\$ 254,173

See accompanying notes to the basic financial statements.

Mansfield City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Governmental Activities Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Service:	\$ 8,039,944
Cash Paid for Goods and Services	(1,213,598)
Cash Paid for Claims	(7,079,537)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(253,191)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(253,191)
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,461,154
<i>Cash and Cash Equivalents at End of Year</i>	\$ 1,207,963
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (281,681)
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts Payable	12,054
Claims Payable	16,436
<i>Total Adjustments</i>	28,490
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (253,191)

See accompanying notes to the basic financial statements.

Mansfield City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 26,525	\$ 940,756
Liabilities:		
Undistributed Monies	\$ 0	\$ 899,850
Due to Students	0	40,426
<i>Total Liabilities</i>	0	\$ 940,276
Net Assets:		
Held in Trust for Scholarships	26,525	
<i>Total Net Assets</i>	\$ 26,525	

See accompanying notes to the basic financial statements.

Mansfield City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	
	Scholarship	
Additions:	\$	0
Deductions:		0
<i>Change in Net Assets</i>		0
<i>Net Assets Beginning of Year</i>		26,525
<i>Net Assets End of Year</i>	\$	26,525

See accompanying notes to the basic financial statements.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 1 – Description of the School District

The Mansfield City School District (the School 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 School District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2004, was 5,763. The School District employs 562 certificated and 312 non-certificated employees.

Reporting Entity

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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mansfield City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no material component units.

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the School District has implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures*." There was no effect on fund balances as a result of this implementation. The most significant of the School District's accounting policies are described below.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities of the School 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School 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. The following are the School District's major governmental funds:

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District 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 property tax revenues for, and the payment of, general obligation bonds used for building improvement.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. Proprietary funds are classified as internal service.

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 School District on a cost reimbursement basis. The School 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School 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 School District's agency funds account for student activities and the Richland County Family First Council.

C. Measurement Focus

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

Fund Financial Statements 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.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of 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 School District finances and meets the cash flow needs of its proprietary fund activities.

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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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 School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives 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 the taxes are levied. (See Note 7.) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred 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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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. Cash and Cash Equivalents

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

During fiscal year 2005, investments were limited to, repurchase agreements, U.S. government securities, and STAROhio (the State Treasurer's Investment Pool).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$601,600, which includes \$419,995 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted 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 amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and to create a reserve for budget stabilization. See Note 21 for additional information regarding set asides.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally 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 School District maintains a capitalization threshold of five thousand dollars. The School 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.

All reported capital assets except land are depreciated using a depreciation method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land	N/A
Land Improvements	10 - 40 Years
Buildings and Improvements	10 - 40 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	13 Years
Textbooks	5 Years

H. 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 of the statement of net assets.

I. Compensated Absences

The School 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 employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, compensated absences, special termination benefits, and contractually required pension contributions that 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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes are for instruction of students.

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

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, textbook purchases, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements are recorded as nonoperating revenue and arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

O. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. 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. Neither type of transaction occurred during fiscal 2005.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

R. Budgetary Data

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. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board 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 the Richland County Budget Commission for rate determination.

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 School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 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. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

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 legal level of control 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 total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

Lapsing of Appropriations At the close of each 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 need not be reappropriated.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 3 – Restatement of Fund Balance/Net Assets

Based on guidance issued in GASB Technical Bulletin No. 2004-2 “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers”, it was determined that unpaid pension expenditures due at year-end should be recorded as a fund liability on the balance sheet. It was also determined that an intergovernmental receivable was recorded to the permanent improvements fund in error. As a result, fund balances have been restated as follows:

	General Fund	Debt Service	Other Governmental	Total
Fund balance at June 30, 2004	\$ 5,678,966	\$ 7,507,474	\$ 13,249,699	\$ 26,436,139
Addition of intergovernmental payables	(473,888)	0	(148,568)	(622,456)
Elimination of intergovernmental receivable	0	0	(2,151,177)	(2,151,177)
Elimination of deferred revenue	0	0	2,151,177	2,151,177
Restated fund balances at June 30, 2004	<u>\$ 5,205,078</u>	<u>\$ 7,507,474</u>	<u>\$ 13,101,131</u>	<u>\$ 25,813,683</u>

During fiscal year 2005, the School District had a valuation performed on the capital assets. During the year, the School District also changed from the vesting method to the termination method in estimating sick leave liability. The effect on net assets from the valuation, the increase in sick leave liability and the items referred to above is as follows:

	Governmental Funds
Governmental Net Assets June 30, 2004	\$ 75,140,012
Elimination of intergovernmental receivable	(2,151,177)
Additional sick leave liability	(2,854,452)
Reduction in capital assets	<u>(186,711)</u>
Restated net assets at June 30, 2004	<u>\$ 69,947,672</u>

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 4 – Fund Deficits

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Fund Balance</u>	<u>Net Assets</u>
General Fund	\$ 0	\$ 341,431
Nonmajor Governmental Funds:		
Public Preschool	1,709	228
DPIA	484,749	490,922
Ohio Reads	12,235	5,418
Title VI-B	12,240	0
Preschool Handicapped	11,982	0
Emergency Repair Grant	98,369	0

The deficits in these nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (4,592,023)
Net Adjustment for Revenue Accruals	(257,870)
Net Adjustment for Expenditure Accruals	(910,944)
Adjustment for Encumbrances	<u>(623,770)</u>
Budget Basis	<u>\$ (6,384,607)</u>

Note 6 - Deposits and Investments

State statutes classify monies held by the School 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 School 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 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.

Protection of School 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.

Interim monies to 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

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 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 (STAROhio);
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.

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 School 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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Cash on Hand: At year end, the School District had \$3,894 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$(337,704) and the bank balance was \$18,003. Of the bank balance:

1. \$18,003 of the bank balance was covered by depository insurance; and
2. \$0 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of June 30, 2005, the district had the following investments:

Rating by Moody	Investment	Fair Value	Investment Maturities (in years)			Percentage of Total Investments
			less than 1	1 - 3	3 - 5	
N/A	Repurchase Agreement	\$ 990,998	\$ 990,998	\$ 0	\$ 0	3.78%
Aaa	Federal National Mortgage Association	3,950,288	0	1,978,218	1,972,070	15.08%
Aaa	Federal Home Loan Bank	5,880,646	0	1,981,142	3,899,504	22.44%
Aaa	Freddie Mac	6,912,419	0	0	6,912,419	26.38%
AAAm	STAROhio	8,468,538	8,468,538	0	0	32.32%
	Totals	\$ 26,202,889	\$ 9,459,536	\$ 3,959,360	\$ 12,783,993	100.00%

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

Credit Risk: The School District's investments credit ratings are summarized above.

Concentration of Credit Risk: The School District places no limit on the amount the School District may invest in any one issuer. The investment percentages are listed above.

Note 7 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. The Richland County Auditor is responsible for assessing and remitting these property taxes to the School 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 2002. 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 2005 before certain homestead and rollback reductions, which reductions are reimbursed to the School District by the State of

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Ohio, amounted to \$66.05 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$41.38 per \$1,000 of assessed valuation for residential and agricultural real property, and \$50.92 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, 2004 was \$66.05 per \$1,000 of valuation.

The property valuation consisted of:

Real Property - 2004	
Residential/Agricultural	\$ 283,402,880
Commercial/Industrial	106,028,030
Public Utilities	89,540
Tangible Personal Property - 2005	
General	72,685,975
Public Utilities	22,233,860
	<hr/>
	\$ 484,440,285
	<hr/>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied 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 late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2005, was \$2,590,881 and is recognized as revenue. \$2,009,748 was available to the general fund, \$449,736 was available to the bond retirement debt service fund and \$131,397 was available to the permanent improvement capital projects 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.

Note 8 - Receivables

Receivables at June 30, 2005, consisted of taxes, accounts (fees), intergovernmental grants, and interest. 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 fiscal year guarantee of federal funds.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 6/30/04	Additions	Reductions	Balance 6/30/05
Governmental Activities				
<i>Capital Assets not being Depreciated</i>				
Land	\$ 5,181,759	\$ 0	\$ 0	\$ 5,181,759
<i>Capital Assets</i>				
Land Improvements	2,303,938	451,960	0	2,755,898
Buildings and Improvements	65,951,805	756,245	0	66,708,050
Furniture and Equipment	6,024,828	493,335	0	6,518,163
Vehicles	1,856,568	248,360	0	2,104,928
Textbooks	3,043,838	0	0	3,043,838
Total Capital Assets, being depreciated	79,180,977	1,949,900	0	81,130,877
Less Accumulated Depreciation:				
Land Improvements	(759,958)	(121,832)	0	(881,790)
Buildings and Improvements	(14,977,490)	(1,396,090)	0	(16,373,580)
Furniture and Equipment	(3,117,033)	(531,279)	0	(3,648,312)
Vehicles	(1,055,816)	(124,524)	0	(1,180,340)
Textbooks	(1,889,393)	(130,778)	0	(2,020,171)
Total Accumulated Depreciation	(21,799,690)	(2,304,503)	0	(24,104,193)
Total Capital Assets being depreciated, net	57,381,287	(354,603)	0	57,026,684
Governmental Activities Capital Assets, Net	<u>\$ 62,563,046</u>	<u>\$ (354,603)</u>	<u>\$ 0</u>	<u>\$ 62,208,443</u>

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Depreciation expense was charged to governmental functions as follows:

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 1,043,144
Special	400,056
Support Services:	
Pupil	134,412
Administration	235,342
Operation and Maintenance of Plant	372,429
Pupil Transportation	89,335
Operation of Non-Instructional Services	<u>29,785</u>
 Total Governmental Activities	 <u><u>\$ 2,304,503</u></u>

Note 10 - Risk Management

A. Property and Liability

The School 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 School 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 it \$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 the Cincinnati Insurance Company.

B. Workers' Compensation

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The School District is a member of the Sheakley Rating System. This rate is calculated based on accident history and administrative costs. The group is make up of school systems throughout the state of Ohio.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

C. Employee Medical Benefits

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 2005, a total expense of \$8,321,625 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 \$941,736 reported in the fund at June 30, 2005 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 School District's claim settlements exceeded insurance coverage for each of the past two years.

Changes in the fund's claims liability amount in 2004 and 2005 were:

		<u>Beginning of Year</u>		<u>Claims</u>		<u>Payments</u>		<u>End of Year</u>
2004	\$	1,058,000	\$	7,304,565	\$	7,437,265	\$	925,300
2005	\$	925,300	\$	7,095,973	\$	7,079,537	\$	941,736

Note 11 - Other Employee Benefits

A. Compensated Absences

The criteria for determining sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees upon termination of employment.

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

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 12- Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under forms and publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 10.57% 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,109,160, \$1,073,772 and \$1,031,148, respectively; 50% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$554,400 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090, 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$4,047,666, \$4,164,557 and \$4,058,136. Contributions to the DC and Combined Plans for fiscal year 2005 were \$7,998 made by the School District and \$46,424 made by the plan members. 82% of the contributions have been made for fiscal year 2005 and 100% for fiscal years 2004 and 2003. \$744,264 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

C. Social Security System

Effective July 1, 1991, board members not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, one member of the Board of Education has elected Social Security. The Board's liability is 6.2% of wages paid.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$289,690 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, the health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$389,591.

Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 14 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding Restated 06/30/04	Additions	Reductions	Outstanding 6/30/05	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
5.27%, due 9/2011	\$ 504,802	\$ 0	\$ 90,000	\$ 414,802	\$ 90,000
5.67%, due 12/2027	20,215,000	0	1,000,000	19,215,000	1,000,000
Total General Obligation Bonds	20,719,802	0	1,090,000	19,629,802	1,090,000
Compensated Absences (Restated)	4,290,432	495,596	419,355	4,366,673	706,389
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 25,010,234</u>	<u>\$ 495,596</u>	<u>\$ 1,509,355</u>	<u>\$ 23,996,475</u>	<u>\$ 1,796,389</u>

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

In 2000, the School District issued \$24,295,000 in general obligation bonds for a new high school. The bonds mature in December 2027.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from General Fund and Special Trust, Auxiliary Services, Adult Basic Education, Title VI-B, Vocational Education, Title I, Drug Free grant, Food Service, and Adult Education nonmajor governmental funds.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Total
	Principal	Interest	
2006	\$ 1,090,000	\$ 1,055,898	\$ 2,145,898
2007	1,085,000	1,003,168	2,088,168
2008	1,080,000	943,583	2,023,583
2009	1,080,000	877,283	1,957,283
2010	1,032,225	860,638	1,892,863
2011 - 2015	5,047,577	3,346,112	8,393,689
2016 - 2020	5,000,000	1,912,315	6,912,315
2021 - 2025	3,490,000	579,639	4,069,639
2026 - 2028	725,000	62,244	787,244
Total	<u>\$ 19,629,802</u>	<u>\$ 10,640,880</u>	<u>\$ 30,270,682</u>

Note 15 – Deferred Revenue

Deferred revenue at June 30, 2005 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 17,363,225	\$ 21,189,293
Grants Receivable	<u>0</u>	<u>1,286,490</u>
Deferred Revenue	<u>\$ 17,363,225</u>	<u>\$ 22,475,783</u>

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 16 - Interfund Transfers

Transfers made during fiscal year 2005 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 156,305
Nonmajor Governmental Funds:		
Special Trust	2,399	0
Food Service	3,601	0
Uniform Supplies	128,545	0
Adult Education	19,760	0
Public	2,000	0
Title VI	72,121	0
Title II-A	0	64,219
Miscellaneous Federal Grants	0	7,902
Total	\$ 228,426	\$ 228,426

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Note 17 - Interfund Balances

Interfund balances at June 30, 2005 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 15,000	\$ 0
Nonmajor Governmental Fund:		
Athletic	0	15,000
	\$ 15,000	\$ 15,000

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2006.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 18 - North Central Ohio Computer Cooperative

The North Central Ohio Computer Cooperative (NCOCC) is a governmental joint venture consisting of 21 School Districts and two county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member School Districts. Each member School District supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the NCOCC, all current members will share in the net obligations or asset liquidation in a ratio proportionate to their last twelve months' financial obligations. NCOCC is governed by a Board of Directors, consisting of superintendents of the member Districts. The degree of control exercised by any participating School District is limited to its representation on the Board. In accordance with GASB Statement No. 14, the School District does not have an equity interest in NCOCC as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the Treasurer at P.O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

Note 19 - Insurance Purchasing Pool

The School District participates with "Sheakley" Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 20 – Contingencies

A. Grants

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

The School District is party to legal proceedings. The School District's 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 School District.

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 21 - Set-Asides

The School District 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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The statute includes specific purposes for which the monies representing BWC refunds can be used. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, or returned to the General fund and used at the discretion of the of the District’s Board of Education.

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2004	\$ 288,742	\$ 0	\$ 0	\$ 288,742
Set-Aside Carryover as of June 30, 2004	0	0	(3,382,839)	(3,382,839)
Current Year Set-Aside Requirement	0	855,689	855,689	1,711,378
Returned to General Fund	(288,742)	0	0	(288,742)
Qualifying Disbursements	0	(1,824,320)	(633,518)	(2,457,838)
Total	<u>\$ 0</u>	<u>\$ (968,631)</u>	<u>\$ (3,160,668)</u>	<u>\$ (4,129,299)</u>
Cash Balance Carried Forward FY 2006	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Set-Aside Carried Forward FY 2006	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,160,668)</u>	<u>\$ (3,160,668)</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years for the textbook and instructional materials

Note 22 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “the Ohio General Assembly to enact a school funding scheme that is thorough and efficient”.

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

Mansfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 23 – Subsequent Event

On May 23, 2005 The Board approved the refinancing of its high school general obligation bonds. Advance refunding bonds were purchased on July 13, 2005 for the same principal amount outstanding as the original bond issue.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 20, 2006

To the Board of Education
Mansfield City School District
Richland County, Ohio

INDEPENDENT AUDITOR'S 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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mansfield City School District as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 20, 2006, which included an explanatory paragraph regarding the change in accounting for compensated absences from the vesting method to the termination method. 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Mansfield City School District in a separate letter dated March 20, 2006.

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 no instances of noncompliance or other matters 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 March 20, 2006.

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

Kea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 20, 2006

To the Board of Education
Mansfield City School District
Richland County, Ohio

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE OMB CIRCULAR A-133

Compliance

We have audited the compliance of Mansfield City Schools 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 the School District's major programs for the year ended June 30, 2005. The 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 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'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 the OMB Circular A-133, *Audits 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about Mansfield City School'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 of Mansfield City School'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 its major programs for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Mansfield City School District is responsible for establishing and maintaining effective internal control over compliance with the 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 its major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 reportable 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 the 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 financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mansfield City Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 20, 2006, which included an explanatory paragraph regarding the change in accounting for compensated absences from the vesting method to the termination method. Our audit was performed for the purpose of forming an opinion on the basic 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 basic financial statements. 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.

This report is intended solely for the information and use of the Board of Education, management, and the federal awarding agencies and pass through agencies 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, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
U. S. Department of Education (passed through the Ohio Department of Education):						
Adult Basic Education	ABS1-2004	84.002	\$ 21,241	\$ 0	\$ 24,188	\$ 0
Adult Basic Education	ABS1-2005	84.002	100,279	0	195,139	0
Adult Basic Education (C)	ABS2-2004	84.002	(3,832)	0	0	0
Adult Basic Education	ABS2-2005	84.002	32,155	0	30,801	0
Adult Basic Education	ABS1-2004-C	84.002	26,029	0	26,029	0
Adult Basic Education	ABS2-2004-C	84.002	3,832	0	2,232	0
Total Adult Basic Education			179,704	0	278,389	0
Title I	C1S1-2004	84.010	236,314	0	380,314	0
Title I	C1S1-2005	84.010	2,566,977	0	2,293,932	0
Title I	C1SD-2004	84.010	16,304	0	32,619	0
Title I	C1SD-2005	84.010	168,408	0	137,875	0
Title I	C1S1-2004	84.010	0	0	9,407	0
Title I	C1S1-2005	84.010	15,103	0	14,542	0
Title I	C1SN-2005	84.010	60,400	0	39,880	0
Title I	C1SK-2005	84.010	49,460	0	8,015	0
Total Title I			3,112,966	0	2,916,584	0
Vocational Education - Carl Perkins Grant	20C1-2004	84.048	0	0	44,488	0
Vocational Education - Carl Perkins Grant	20C1-2005	84.048	214,097	0	208,643	0
Total Vocational Education - Carl Perkins Grants			214,097	0	253,131	0
<i>Special Education Cluster:</i>						
Special Education - IDEA Part B	6BSF-2004	84.027	20,324	0	103,066	0
Special Education - IDEA Part B	6BSF-2005	84.027	1,317,031	0	1,339,097	0
Special Education - IDEA Part B	6BSD-2004-P	84.027	4,208	0	4,556	0
Total Special Education - IDEA Part B			1,341,563	0	1,446,719	0
Special Education - Preschool Grants	PGS1-2004	84.173	31	0	2,834	0
Special Education - Preschool Grants	PGS1-2005	84.173	44,725	0	42,278	0
Total Special Education - Preschool Grants			44,756	0	45,112	0
<i>Total Special Education Cluster</i>			1,386,319	0	1,491,831	0
Safe and Drug-Free Schools - Community Grants	N/A	84.184C	0	0	1,235	0
Safe and Drug-Free Schools - Community Grants	T4S1-2005	84.184C	6,245	0	8,799	0
Safe and Drug-Free Schools - Community Grants	T4S1-2004	84.184C	8,742	0	4,614	0
Total Safe and Drug-Free Schools - Community Grants			14,987	0	14,648	0
Safe and Drug-Free Schools	DRS1-2004	84.186	5,242	0	5,725	0
Safe and Drug-Free Schools	DRS1-2005	84.186	46,555	0	37,590	0
Total Safe and Drug-Free Schools			51,797	0	43,315	0
Even Start (C)	EVS1-2004	84.213	(3,693)	0	18,174	0
Even Start	EVS1-2005	84.213	201,601	0	194,805	0
Total Even Start			197,908	0	212,979	0
Smaller Learning Communities	N/A	84.215	12,214	0	9,306	0
Teaching American History	N/A	84.215	178,807	0	163,129	0
Total Fund for the Improvement of Education			191,021	0	172,435	0
21st Century Grant	T1S1-2005	84.287	162,549	0	155,727	0
Innovative Programs	C2S1-2004	84.298	96,918	0	72,559	0
Innovative Programs	C2S1-2005	84.298	64,866	0	42,835	0
Total Innovative Programs			161,784	0	115,394	0
Education Technology State Grants	TJS1-2004	84.318	209	0	25,180	0
Education Technology State Grants	TJS1-2005	84.318	81,337	0	31,180	0
Total Education Technology State Grants			81,546	0	56,360	0
Comprehensive School Reform	RFK1-2003	84.332	12,174	0	17,098	0
Comprehensive School Reform	RFK2-2003	84.332	2,923	0	0	0
Comprehensive School Reform	RFK2-2004	84.332	26,291	0	14,003	0
Comprehensive School Reform	RFCC-2005	84.332	10,118	0	1,348	0
Total Comprehensive School Reform			51,506	0	32,449	0
Federal Emergency Repair Program	N/A	84.352	365,288	0	464,408	0
Improving Teacher Quality	TRS1-2004	84.367	62,544	0	60,824	0
Improving Teacher Quality	TRS1-2005	84.367	353,100	0	277,416	0
Total Improving Teacher Quality			415,644	0	338,240	0
Federal Impact Aid	N/A	84.041	22,172	0	22,172	0
Total U.S. Department of Education			6,609,288	0	6,568,062	0

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
U.S. Department of Health and Human Services (passed through the Ohio Department of MRDD):						
Medical Assistance Program/CAFS	N/A	93.778	277,426	0	277,426	0
Medical Assistance Program/SCHIP	N/A	93.767	20,859	0	20,859	0
Total Medical Assistance Programs			<u>298,285</u>	<u>0</u>	<u>298,285</u>	<u>0</u>
U.S. Department of Health and Human Services (passed through other state agency):						
School Age Care Expansion Grant	N/A	93.575	0	0	21,418	0
Total U.S. Department of Health and Human Services			<u>298,285</u>	<u>0</u>	<u>319,703</u>	<u>0</u>
U. S. Department of Agriculture (passed through the Ohio Department of Education):						
Child Nutrition Cluster:						
Food Distribution Program (A) (B)	N/A	10.550	0	318,798	0	318,798
School Breakfast Program (A)	05PU-2004-2005	10.553	353,491	0	353,491	0
National School Lunch Program (A)	LLP4-2004-2005	10.555	1,202,186	0	1,202,186	0
Total Department of Agriculture: Child Nutrition Cluster			<u>1,555,677</u>	<u>318,798</u>	<u>1,555,677</u>	<u>318,798</u>
Total Federal Assistance			<u>\$ 8,463,250</u>	<u>\$ 318,798</u>	<u>\$ 8,443,442</u>	<u>\$ 318,798</u>

- (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.
(C) Refunded receipt.
(N/A) Pass-through entity number is either not available or not applicable, as is the case with direct federal awards.

**MANSFIELD CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(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 - 84.010 Special Education Cluster - 84.027 & 84.173 Federal Emergency Repair Program - 84.352
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.

**MANSFIELD CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-1	The district does not have adequate property records.	Yes, the District obtained a valuation report for their capital assets as of 6/30/05.	N/A - fully corrected.



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
MAY 9, 2006**