Dave Yost · Auditor of State

Mansfield City School District
Richland County, Ohio

Fiscal Emergency Termination

Local Government Services Section

Mansfield City School District
Richland County

Fiscal Emergency Termination

Table of Contents

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CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Mansfield City School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Mansfield City School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Mansfield City School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be non-adverse. Therefore, the existence of the Mansfield City School District Financial Planning and Supervision Commission and its role in the operation of the Mansfield City School District is terminated as of December 20, 2016.

Accordingly, this report is hereby submitted to the Mansfield City School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Timothy L. Theaker, Mayor of the City of Mansfield, and Paolo DeMaria, State Superintendent of Public Instruction.

Dave Yost

DAVE YOST
Auditor of State

December 20, 2016

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Report on Termination of the Mansfield City School District Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Mansfield City School District (the Commission), Richland County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

Effective August 16, 2006, the Department of Education declared the Mansfield City School District, Richland County, to be in a state of fiscal caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2007 and 2008.

The Auditor of State declared the Mansfield City School District (School District) in fiscal watch on December 8, 2006. This declaration was based upon the School District's failure to submit a written proposal to the Department of Education for eliminating the anticipated deficits that prompted the declaration of fiscal caution. Upon reviewing the School District's five-year forecast filed with the Department of Education on November 2, 2006, which included forecasted deficits of $1,837,000 and $3,178,000 for the fiscal years ending June 30, 2007 and 2008, the Auditor of State found the Department of Education's request that the School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the Auditor of State's declaration of fiscal watch is required to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Mansfield City School District Board of Education passed a resolution on November 22, 2013, stating their inability to develop a fiscal watch recovery plan acceptable to the Superintendent of Public Instruction. Accordingly, the Auditor of State declared the School District to be in a state of Fiscal Emergency under Section 3316.03(B)(2) of the Ohio Revised Code on December 17, 2013. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;

2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;

3. The objectives of the financial recovery plan are being met; and,

4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 – Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Mansfield City School District and issued a Report on Accounting Methods, dated June 2, 2015. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer compares appropriations to estimated resources; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

Implemented:

The Treasurer has implemented a spreadsheet that has his beginning unencumbered balances along with the latest certificate of estimated resources from the County added together to show the total amount available to appropriate, which is then presented next to a column showing the most recent appropriations passed by the Board to show what amount is still available to appropriate.

Auditor of State Comment from Report on Accounting Methods:

- The Board adopts appropriations as needed, but amended certificates of estimated resources are requested periodically. Appropriations should be limited to the estimated resources reflected on the amended certificate at the time of adoption. Prior to appropriating the additional or new resources, the Treasurer should request an amended certificate based on reasonable estimates and/or actual receipts.

Implemented:

The Treasurer submits a request for an amended certificate prior to appropriating the additional or new resources.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not review the posting of receipts. Although the Treasurer reviews summarized revenue reports at month end, the Treasurer should review the receipt list daily to ensure proper posting of each receipt.

Implemented:

The Treasurer now reviews a list of receipts each day to ensure proper posting and completeness of the receipts. The Treasurer approves the receipt listing by initialing the receipt report.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the board of education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the Board. The Board should adopt a resolution that identifies the maximum dollar amount for blanket certifications/purchase orders. Blanket purchase orders used without the Board having set a limit are not valid because the School District does not have the authority to use blanket purchase orders without Board resolution.

Implemented:

The School District Board of Education passed a resolution on June 16, 2015, authorizing the use of blanket purchase orders up to a maximum dollar amount of $30,000.

Cash Disbursement

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not review the checks after they are printed and electronically signed. The Treasurer should review the printed checks to ensure that the checks are complete and to ensure that the amounts have not been changed.

Implemented:

The Treasurer now reviews the summary check register each day to ensure completeness and that amounts have not been changed. The Treasurer signifies approval by initialing the summary check register.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The Board policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students).

Implemented:

The School District's policy for capital assets and materials and supplies inventory now addresses valuing donated assets, assigning salvage values, and private property (items belonging to staff and students).

Auditor of State Comment from Report on Accounting Methods:

- The EIS system is sometimes not updated for changes in capital assets. Internal control systems should be put in place to make sure the EIS system is properly updated when capital assets change.

Implemented:

The EIS system is updated for all changes in capital assets. A Treasurer Office staff member is responsible for updating the EIS system for changes in capital assets, based on the appropriate forms documenting changes in capital assets.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The signature blocks are not cut out of voided checks. All voided checks should have the signature cut out.

Implemented:

The School District has begun cutting the signature block out of all voided checks.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements as of and for the fiscal year ended June 30, 2015, on March 29, 2016. The report expressed an unmodified opinion of the financial statements. The report also expressed one finding for recovery in the amount of $2,819 related to an overpayment error. The finding for recovery has since been resolved.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The management letter included a recommendation that legal counsel and the Board of Education review all employment contracts.

The School District has corrected or is in the process of correcting the issues identified in the management letter; therefore, the Auditor of State has concluded that the issues identified in the management letter do not require that the School District's release from fiscal emergency be delayed.

Section 2 – Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.

2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.

3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.

4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,

5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the school district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.

2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.

3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Section 3 – Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated May 12, 2016). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.

2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.

3. The School District will review and follow its purchasing procedures and ensure that each transaction is properly authorized, documented and recorded.

4. The School District will consider the use of competitive bidding whenever and wherever possible.

5. The School District will reduce staff by 148 employees.

6. The School District will close Newman Elementary and the conversion community schools.

Actions taken to achieve the provisions of the plan include the following:

1. Monitored operating expenditures, which helped save the School District about $4.7 million;

2. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education;

3. Monitored personnel levels, from which the School District cut 148 positions;

4. The School District closed Newman Elementary, and other sponsors took over the conversion community schools.

Section 4 – Five-Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2017 through 2021, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District's five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2021. The Auditor of State, in a report dated December 20, 2016, rendered a "non-adverse" opinion on the financial forecast.

Section 5 – Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;

2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;

3. The School District has met the major objectives of the Financial Recovery Plan; and,

4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Mansfield City School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

Mansfield City School District

Richland County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2017 through June 30, 2021

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Mansfield City School District – Richland County

Fiscal Emergency Termination

Table of Contents

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Board of Education
Mansfield City School District
856 West Cook Road
Mansfield, Ohio 44907

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Mansfield City School District for the fiscal years ending June 30, 2017 through 2021. The Mansfield City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2014, 2015, and 2016 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

Dave Yost

DAVE YOST
Auditor of State

November 23, 2016

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Mansfield City School District
Richland County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2014 Through 2016 Actual;
For the Fiscal Years Ending June 30, 2017 Through 2021 Forecasted
General Fund

	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Actual
Revenues			
General Property Taxes	$14,651,000	$16,419,000	$16,685,000
Unrestricted Grants-in-Aid	29,503,000	32,438,000	33,023,000
Restricted Grants-in-Aid	3,011,000	2,997,000	2,973,000
Property Tax Allocation	3,322,000	3,448,000	3,055,000
All Other Revenues	2,881,000	2,849,000	3,040,000
Total Revenues	53,368,000	58,151,000	58,776,000
Other Financing Sources			
Solvency Assistance Advance	3,685,000	0	0
Total Revenues and Other Financing Sources	57,053,000	58,151,000	58,776,000
Expenditures			
Personal Services	26,222,000	21,850,000	20,971,000
Employees' Retirement/Insurance Benefits	11,222,000	11,149,000	11,441,000
Purchased Services	16,868,000	15,770,000	16,540,000
Supplies and Materials	727,000	688,000	743,000
Capital Outlay	342,000	514,000	601,000
Debt Service:			
Principal-Solvency Assistance Advance	0	1,843,000	1,842,000
Principal-HB 264 Loans	0	175,000	175,000
Principal-Tax Anticipation Notes	210,000	475,000	495,000
Interest	138,000	146,000	127,000
Other Objects	627,000	691,000	898,000
Total Expenditures	56,356,000	53,301,000	53,833,000
Other Financing Uses			
Transfers Out	1,163,000	0	350,000
Total Expenditures and Other Financing Uses	57,519,000	53,301,000	54,183,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(466,000)	4,850,000	4,593,000
Cash Balance (Deficit) July 1	2,987,000	2,521,000	7,371,000
Cash Balance (Deficit) June 30	2,521,000	7,371,000	11,964,000
Encumbrances			
Actual/Estimated Encumbrances June 30	445,000	724,000	462,000
Fund Balance June 30 for Certification of Appropriation	2,076,000	6,647,000	11,502,000
Revenue from Renewal Levies			
General Property Taxes	0	0	0
Homestead and Rollback	0	0	0
TPP Reimbursement	0	0	0
Total Revenue from Renewal Levies	0	0	0
Cumulative Balance of Renewal Levies	0	0	0
Unencumbered/Unreserved Fund Balance June 30	$2,076,000	$6,647,000	$11,502,000

See accompanying summary of significant forecast assumptions and accounting policies
See Independent Accountant's Report

Fiscal Year 2017 Forecasted	Fiscal Year 2018 Forecasted	Fiscal Year 2019 Forecasted	Fiscal Year 2020 Forecasted	Fiscal Year 2021 Forecasted
$16,917,000	$16,917,000	$13,236,000	$9,838,000	$9,669,000
33,144,000	33,144,000	33,144,000	33,144,000	33,144,000
3,102,000	3,102,000	3,102,000	3,102,000	3,102,000
2,502,000	2,410,000	1,794,000	1,269,000	1,269,000
3,030,000	2,494,000	2,494,000	2,344,000	2,344,000
58,695,000	58,067,000	53,770,000	49,697,000	49,528,000
0	0	0	0	0
58,695,000	58,067,000	53,770,000	49,697,000	49,528,000
21,601,000	22,191,000	22,457,000	22,678,000	22,869,000
11,829,000	12,503,000	13,142,000	14,121,000	15,385,000
17,538,000	17,913,000	18,305,000	18,706,000	19,116,000
1,095,000	1,099,000	1,103,000	1,107,000	1,111,000
1,120,000	1,035,000	1,035,000	1,035,000	1,035,000
0	0	0	0	0
175,000	180,000	185,000	137,000	185,000
515,000	535,000	270,000	0	0
107,000	86,000	63,000	105,000	55,000
939,000	949,000	954,000	960,000	965,000
54,919,000	56,491,000	57,514,000	58,849,000	60,721,000
550,000	550,000	550,000	550,000	550,000
55,469,000	57,041,000	58,064,000	59,399,000	61,271,000
3,226,000	1,026,000	(4,294,000)	(9,702,000)	(11,743,000)
11,964,000	15,190,000	16,216,000	11,922,000	2,220,000
15,190,000	16,216,000	11,922,000	2,220,000	(9,523,000)
543,000	543,000	543,000	543,000	543,000
14,647,000	15,673,000	11,379,000	1,677,000	(10,066,000)
0	0	3,681,000	7,079,000	7,248,000
0	0	386,000	773,000	773,000
0	0	138,000	184,000	92,000
0	0	4,205,000	8,036,000	8,113,000
0	0	4,205,000	12,241,000	20,354,000
$14,647,000	$15,673,000	$15,584,000	$13,918,000	$10,288,000

Note 1 – The School District

The Mansfield City School District (the School District) is located in Richland County and includes most of the City of Mansfield. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates ten instructional buildings and an administrative building. The School District employs 352 certified employees and 199 classified employees who provide services to 3,360 students and other community members.

On December 17, 2013, the School District was declared to be in a state of "Fiscal Emergency" under Section 3316.03(B)(2) by the Auditor of State. The declaration was due to the School District's declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Mayor of the City of Mansfield. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

Note 2 – Nature of the Forecast

This financial forecast presents, to the best of the Mansfield City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of November 23, 2016, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the general fund supported debt and the education jobs and school district fiscal stabilization funds are included in the general fund.

Note 4 – Summary of Significant Accounting Policies

Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund – The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds – Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Proprietary Funds

Enterprise Funds – Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Budgetary Process

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

Budget – A budget of estimated cash receipts and disbursements is submitted to the Richland County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources – The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances – The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 – General Operating Assumptions

The Mansfield City School District will continue to operate its instructional program in accordance with its adopted and anticipated school calendars and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 – Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Richland County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2017 (the collection year) for real and public utility property taxes represents collections of 2016 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against the next fiscal year scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal years 2017 through 2021.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the general fund, the year approved, first and last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per $1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	$4.40
Continuing Operating	1976	1977	n/a	26.40
Continuing Operating	1983	1984	n/a	9.65
Continuing Operating	1991	1992	n/a	5.70
Emergency ($3,900,000)	2013	2014	2018	10.40
Emergency ($4,000,000)	2013	2014	2018	10.70
Total Tax Rate				$67.25

The School District also has levies for bonded debt and permanent improvements totaling of $4.00 per $1,000 of assessed valuation. The School District's total tax rate is $71.25 per $1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at $45.61 per $1,000 of assessed valuation for collection year 2016, and the effective commercial and industrial real property tax rate is $56.26 per $1,000 of assessed valuation for collection year 2016.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes.

<u>General Property Tax</u> – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon current and historical property tax settlements. The School District anticipates an increase of $232,000 in fiscal year 2017 due to an increase in current collections. Fiscal year 2018 is expected to be in line with fiscal year 2017. Richland County's next reappraisal will be in tax year 2017, and the next triennial update will be in tax year 2020.

The School District has two emergency levies with the last year of collection in calendar year 2018. While the School District anticipates renewing these levies, voter approval is uncertain, and the tax revenues have been excluded from the revenues section and presented under the heading Revenue from Renewal Levies. The estimated renewal levies are presented net of estimated delinquencies. In fiscal year 2019, the School District anticipates a decrease of $3,681,000 for a half year collection of the expiring emergency levies. While an additional year of delinquent collections from these levies is forecast, additional decreases of $3,398,000 and $169,000 in general property tax revenues are forecast for fiscal years 2020 and 2021, respectively.

<u>Unrestricted Grants-in-Aid</u>

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism was not formulated at that time, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula is devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continued to use the current fiscal year count taken during the first full week of October. This amount was then multiplied by the State Share Index, which factored in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts were guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district received an increase greater than 6.25 percent for fiscal year 2014 or 10.5 percent for fiscal year 2015. For fiscal years 2016 and 2017, the SFPR continues to be used and the calculation of foundation funding is similar to fiscal year 2015. School districts are guaranteed the amount received for fiscal year 2015 (excluding capacity aid, transportation supplement, graduation bonus, and third grade reading bonus), and limited to an increase of 7.5 percent in each fiscal year. For fiscal year 2017, career-technical education funding has been removed from the guarantee base and exempt from the 7.5 percent increase cap. Based on the most recent foundation settlement, the School District estimates $32,971,000 in foundation funding for fiscal years 2017 through 2021.

Beginning in fiscal year 2013, the School District started receiving additional unrestricted grants-in-aid revenue due to casino revenue. Of the casino revenue collected by the State, 34 percent is distributed to school districts, based on student population. The School District anticipates casino revenue of $173,000 in fiscal year 2017 for a total unrestricted grants-in-aid amount of $33,144,000. This amount is forecast to remain consistent throughout the forecast period.

Restricted Grants-in-Aid

Restricted grants-in-aid consists of revenue to aid career technologies programs and economically disadvantaged funding. Based on the latest foundation settlement, the School District anticipates $606,000 in career technologies monies and $2,496,000 in economically disadvantaged funding for a total restricted grants-in-aid amount of $3,102,000 for fiscal year 2017. These amounts are forecast to remain flat for the forecast period.

Property Tax Allocation

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent and the two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 has adjusted the Homestead Exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed $30,000. These changes reduced reimbursements from the State and increased real property tax revenue. Homestead and rollback revenue is forecast to decrease slightly in fiscal year 2017, based on the latest settlement, and remain the same for fiscal year 2018. While the School District anticipates renewing the two emergency levies, voter approval is uncertain, and the related homestead and rollback reimbursements have been excluded from the revenues section and presented under the heading Revenue from Renewal Levies. Fiscal year 2019 homestead and rollback revenues are forecast to decrease by $386,000 due to the loss of the spring homestead and rollback reimbursements for the emergency levies. Homestead and rollback revenues are forecast to decrease by another $387,000 in fiscal year 2020 due to the full-year loss of homestead and rollback reimbursements related to the emergency levies, and remain the same for fiscal year 2021.

From 2005 to 2011, State law phased out taxes levied by school districts on business personal property. The State's original intent was to compensate school districts for resulting tax losses in full until fiscal year 2013, when payments themselves were to begin to be phased out. House Bill 153 signed in June 2011 accelerated the phase out during fiscal year 2012-2013 biennium and to pay reimbursements after the biennium at the reduced level paid at the end of fiscal year 2013. The new phase out is scaled according to a school districts reliance on those reimbursements as a percentage of the district's total budget. In 2012, House Bill 508 went into effect. It provides technical changes to the formula used to calculate fixed rate losses pertaining to business property tax expense levies. House Bill 64, which went into effect in 2015, resumed the phase-out of tangible personal properties (TPP) reimbursements and changed the calculation and distribution methodology of TPP reimbursements. The School District is anticipating decreases in TPP reimbursement revenues during the forecast period. The decreases are based on the House Bill 64 phase out of this reimbursement. The School District received a reduced fixed rate current operating levy loss reimbursement in fiscal year 2016, but is not expected to receive any reimbursement for the fixed rate current operating levy loss in fiscal years 2017 through 2021, since the School District's ratio of current expense allocation to total resources is not expected to meet the threshold for the reimbursement in fiscal year 2017. In fiscal year 2016, the School District received a fixed sum operating levy loss reimbursement that was equal to the fiscal year 2015 reimbursement. The fixed sum operating levy loss reimbursements are scheduled to be phased out in decreasing factors of the fiscal year 2015 reimbursement amount, with factors of 1.0, 0.8, 0.6, 0.4, and 0.2 for fiscal years 2017, 2018, 2019, 2020, and 2021, respectively. While the School District anticipates renewing the $3.9 million emergency levy, voter approval is uncertain, and the related TPP reimbursements have been excluded from the revenues section and presented under the heading Revenue from Renewal Levies. The School District is forecasting that it will receive only half of the calculated TPP reimbursement in fiscal year 2019 and will receive no TPP reimbursement in fiscal years 2020 and 2021 due to the expiration of the $3.9 million emergency levy.

Property Tax allocation revenues consist of the following:

Revenue Sources	Forecasted Fiscal Year 2017	Forecasted Fiscal Year 2018	Forecasted Fiscal Year 2019	Forecasted Fiscal Year 2020	Forecasted Fiscal Year 2021
Homestead and Rollback	$2,042,000	$2,042,000	$1,656,000	$1,269,000	$1,269,000
Tangible Personal Property Loss Reimbursement	460,000	368,000	138,000	0	0
Total	$2,502,000	$2,410,000	$1,794,000	$1,269,000	$1,269,000

All Other Revenues

All other revenues consist of the following:

	Forecasted				
	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Open Enrollment Tuition	$772,000	$772,000	$772,000	$772,000	$772,000
Other Tuition	421,000	421,000	421,000	421,000	421,000
Transportation	49,000	49,000	49,000	49,000	49,000
Interest	175,000	175,000	175,000	25,000	25,000
Rentals	16,000	16,000	16,000	16,000	16,000
Donations	13,000	13,000	13,000	13,000	13,000
Property Tax Abatements	152,000	152,000	152,000	152,000	152,000
Sale of Asset	1,000	1,000	1,000	1,000	1,000
Damaged Books	2,000	2,000	2,000	2,000	2,000
State Grant/Other	139,000	0	0	0	0
Medicaid Reimbursements	467,000	467,000	467,000	467,000	467,000
E-rate	111,000	220,000	220,000	220,000	220,000
Adjustments and RPYE	594,000	88,000	88,000	88,000	88,000
Other	118,000	118,000	118,000	118,000	118,000
Total	$3,030,000	$2,494,000	$2,494,000	$2,344,000	$2,344,000

Open enrollment tuition revenue is expected to increase slightly from fiscal year 2016, based on the latest foundation settlement, and remain flat for the forecast period.

Tuition revenue for fiscal year 2017 is expected to increase due to higher anticipated regular day school and special education tuition from fiscal year 2016. This revenue is expected to remain flat for the forecast period.

Interest revenue is expected to increase significantly in fiscal year 2017 due to increased cash balances that allow for investing. Interest revenue is expected to return to amounts comparable to previous fiscal years due to decreasing cash balances in fiscal years 2020 and 2021.

The School District received a payment from the State in fiscal year 2016 related to a community school closing, and the fiscal year 2017 estimate of $139,000 is based on the amount received to date. No further payments are forecast for fiscal years 2018 through 2021.

Forecasted Medicaid reimbursements for fiscal years 2017 through 2021 are based on a historical average.

E-rate for fiscal year 2017 is expected to be lower than in fiscal year 2016, based on reimbursements already received. For fiscal years 2018 through 2021, E-rate reimbursements are expected to be in line with a historical average.

Refund of prior year expenditures for fiscal year 2017 are expected to increase slightly due to a larger School Employees Retirement System (SERS) refund than was received in fiscal year 2016. Historically, the School District has used a high estimate of SERS salaries that resulted in high SERS foundation deductions and a large refund in the subsequent fiscal year. Fiscal year 2017 foundation deductions are much lower than in the prior fiscal year, because the School District used a more accurate estimate of SERS salaries. Therefore, refund of prior year expenditures revenues for fiscal years 2018 through 2021 are forecast to decrease significantly, because SERS refunds are not expected.

Other Financing Sources

Solvency Assistance Advance – In fiscal year 2014, the School District received a Solvency Assistance Fund Advance in the amount of $3,685,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-93-03 of the Ohio Administrative Code. The advance was repaid over fiscal years 2015 and 2016 from State foundation revenues.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. Most employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

Staffing levels for the last three fiscal years and the current fiscal year are displayed in the following chart. Staffing levels are anticipated to increase in fiscal year 2017 due to adding back several administrative positions and adding several other employees, and remain consistent for the rest of the forecast period.

	2014	2015	2016	2017
General Fund:				
Certified	342	310	292	299
Classified	155	130	121	129
Total General Fund	497	440	413	428
Other Funds:				
Certified	60	34	34	53
Classified	79	62	83	70
Total Other Funds	139	96	117	123
Total	636	536	530	551

The following table presents a comparison of salaries and wages for fiscal years 2017 through 2021:

		Forecasted			
	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Certified Salaries	$16,654,000	$17,148,000	$17,382,000	$17,573,000	$17,741,000
Classified Salaries	3,672,000	3,749,000	3,781,000	3,811,000	3,834,000
Substitute Salaries	769,000	780,000	780,000	780,000	780,000
Supplemental Salaries	496,000	504,000	504,000	504,000	504,000
Other Salaries and Wages	10,000	10,000	10,000	10,000	10,000
Total	$21,601,000	$22,191,000	$22,457,000	$22,678,000	$22,869,000

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases for existing staff. The contract currently being followed was approved by the Board of Education on March 15, 2016, and is effective through June 30, 2018. The contract allows for increases in base salaries of 1 percent in fiscal year 2017 and 1.5 percent in fiscal year 2018. The contract also allows for step increases ranging from 0.75 to 6.5 percent. Negotiations for a new contract will begin in early calendar year 2018. No base salary increases have been included in the forecasted salaries for fiscal years 2019 through 2021. Each 1 percent increase to certified salaries would cost the School District approximately $174,000. Certified salaries are forecast to increase in fiscal year 2017 due to base salary increases, step increases, and an increase in certified staff. Certified salaries are forecast to increase in fiscal year 2018 due to base salary increases and step increases. In fiscal years 2019 through 2021, certified salaries are forecast to increase due to step increases.

Classified salaries are based on two negotiated contracts which include step increases and were approved by the Board of Education on March 15, 2016. The contract with the Mansfield School Employees Association School Support Personnel is effective through June 30, 2018, and the contract with the Teamsters, Chauffeurs and Helpers Local Union Number 40 is effective through July 31, 2018. The contract for the school support personnel allows for increases in base salaries of 1 percent in fiscal year 2017 and 1.5 percent in fiscal year 2018, as well as varying step increases. The contract for the bus drivers, aids, and mechanics also allows for increases in base salaries for fiscal years 2017 and 2018, and step increases. Negotiations for new contracts will begin in early calendar year 2018. No base salary increases have been included in the forecasted salaries for fiscal years 2019 through 2021. Each 1 percent increase to classified salaries would cost the School District approximately $38,000. Total classified salaries are expected to increase in fiscal year 2017 due to the base salary increases, step increases, and an increase in classified staff. Classified salaries are forecast to increase in fiscal year 2018 due to base salary increases and step increases. In fiscal years 2019 through 2021, classified salaries are forecast to increase due to step increases.

Substitute salaries are anticipated to increase in fiscal year 2017 based on historical trends and fiscal year to date information. Substitute salaries are forecast to increase in fiscal year 2018 due to base salary increases, and remain consistent throughout the rest of the forecast period.

Supplementals are anticipated to increase in fiscal year 2017 based on historical data. Supplementals are forecast to increase in fiscal year 2018 due to base salary increases, and remain consistent for the rest of the forecast period.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Teachers and classified staff earn sick leave at the rate of one and one-fourth days per month. Upon retirement, qualified classified employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 47 days (school support personnel) or 44 days (bus drivers, aids, and mechanics) at their per diem rate. Certified employees receive 26 percent of their accumulated unused sick leave upon retirement. If a certified employee has 200 or more days of unused sick leave at the time of retirement, the employee will receive 30 percent of their accumulated unused sick leave. Fiscal years 2017 through 2021 have no forecasted severance payments, due to the establishment of a severance fund from which all future severance payments will be made. The general fund will provide transfers to support the severance fund.

Other salaries, which consist of board salaries, are forecast to remain consistent throughout fiscal years 2017 through 2021.

Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

The following table presents a comparison of employee's retirement/insurance benefits for fiscal years 2017 through 2021:

	Forecasted				
	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Employer's Retirement	$3,392,000	$3,479,000	$3,520,000	$3,553,000	$3,583,000
Health Care/Life Insurance	7,838,000	8,390,000	8,982,000	9,922,000	11,151,000
Workers' Compensation	216,000	222,000	224,000	227,000	229,000
Medicare	313,000	322,000	326,000	329,000	332,000
Unemployment	20,000	20,000	20,000	20,000	20,000
Tuition Reimbursement	50,000	70,000	70,000	70,000	70,000
Total	$11,829,000	$12,503,000	$13,142,000	$14,121,000	$15,385,000

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. For STRS, adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. For SERS, a refund or an additional payment is completed in the following fiscal year to correct differences between the estimated and actual salaries. The School District pays the employee retirement contributions for its superintendent, treasurer and other administrators. Fiscal year 2017 is expected to decrease because the fiscal year 2016 SERS salary estimate was high, yielding a large SERS refund in fiscal year 2017. Fiscal year 2018 is expected to increase due to base salary increases and step increases. Fiscal years 2019 through 2021 are expected to increase due to step increases. With each 1 percent increase in salaries earned, it is estimated to cost the School District an additional $30,000 in STRS and SERS contributions.

In years past, SERS has been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one was for the school districts to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. The School District chose option two and had a total arrearage liability of $527,676, with annual payments of $87,946, at that time. The School District made the final arrearage payment in fiscal year 2016.

Health care, vision and dental insurance rates are fixed by the Board of Education on an as-needed basis. The monthly payments, per individual, for health care benefits are as follows:

Coverage:	Effective April 20, 2012	Effective January 1, 2015	Effective July 1, 2016
Family	$1,130.00	$1,630.00	$1,745.00
Single	466.00	716.00	767.00

The self-insured healthcare program includes hospital/medical benefits. Rates are based on recommended amounts from the School District's third party administrator. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. Rate increases effective in July 2016 and expected rate increases for the following fiscal years are responsible for the increases in insurance expenditures for fiscal years 2017 through 2021. Fiscal years 2020 and 2021 are expected to have additional increases in insurance expenditures due to the Cadillac Tax. The Cadillac Tax is a 40 percent excise tax on high-cost employer-sponsored health plans and is scheduled to take effect in calendar year 2020. Cadillac Tax is calculated on the cost of plans in excess of set thresholds.

The School District regularly sets aside 1 percent of salaries to be used to cover the Workers' Compensation bill, which is based on the School District's assigned rate and the amount of wages paid in a calendar year. In previous years, premiums were paid in the following calendar year. Beginning in calendar year 2016, the Bureau of Worker's Compensation (BWC) transitioned to prospective billing. The bills to be paid in calendar 2016 included payment on calendar year 2015 wages (policy year 2015) and payment on calendar year 2016 estimated wages (policy year 2016). For this transition policy year, the BWC gave a 50 percent credit on the retrospective bill on 2015 wages and a 50 percent credit on the prospective bill on 2016 wages. The workers' compensation amount is forecast to increase in fiscal years 2017 and 2018 due to base salary increases and step increases, and increase in fiscal years 2019 through 2021 due to step increases.

Medicare is based on a percentage of wages and is estimated to increase throughout forecast period due to base salary increases and step increases in fiscal years 2017 and 2018 and due to step increases in fiscal years 2019 through 2021.

Unemployment payments were particularly high in fiscal year 2015 because the School District reduced a large number of staff through layoffs. For fiscal year 2016, these payments were much lower, and fiscal years 2017 through 2021 are expected to be consistent with fiscal year 2016.

Tuition reimbursement is forecast based on the amount of reimbursements allowed under the negotiated agreements.

<u>Purchased Services</u>

The following table presents a comparison of purchased services for fiscal years 2017 through 2021:

	Forecasted				
	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Professional and Technical Services	$2,814,000	$2,913,000	$3,016,000	$3,122,000	$3,232,000
Property Services	302,000	302,000	302,000	302,000	302,000
Travel and Meeting Expenses	59,000	59,000	59,000	59,000	59,000
Communication Costs	167,000	163,000	166,000	169,000	172,000
Utility Services	967,000	987,000	1,006,000	1,027,000	1,047,000
Printing	56,000	56,000	56,000	56,000	56,000
Tuition Payments	481,000	491,000	501,000	511,000	521,000
Open Enrollment	2,999,000	3,059,000	3,120,000	3,182,000	3,246,000
Community School	6,836,000	6,972,000	7,111,000	7,254,000	7,399,000
Post Secondary	2,292,000	2,338,000	2,385,000	2,433,000	2,481,000
Special Education	79,000	81,000	83,000	84,000	86,000
Excess Costs	364,000	370,000	378,000	385,000	393,000
Pupil Transportation	13,000	13,000	13,000	13,000	13,000
Other Purchased Services	109,000	109,000	109,000	109,000	109,000
Total	$17,538,000	$17,913,000	$18,305,000	$18,706,000	$19,116,000

Professional and technical services are expected to increase in fiscal year 2017 from fiscal year 2016 due mainly to the health savings account program for administrative and support staff and increased school psychology costs. These costs are expected to continue to increase throughout the forecast period.

Property services costs are expected to increase significantly in fiscal year 2017 primarily due to paying copier leases from the general fund, whereas they were previously paid from the permanent improvement fund, and due to an increase in repairs. Fiscal years 2018 through 2021 are forecast to remain consistent with fiscal year 2017.

Travel and meeting expenses are forecast to increase in fiscal year 2017 due to additional allowances for the curriculum department, the re-opened Springmill building, and administrators; these expenses are forecast to remain flat for the rest of the forecast period.

Communication costs are forecast to increase slightly in fiscal year 2017 due to higher than normal postage costs following unusually low postage costs in fiscal year 2016. In fiscal year 2018, costs are expected to decrease slightly with a return to average postage costs, and the remaining fiscal years are expected to have small increases as service costs rise.

Utility services costs are expected to increase in fiscal year 2017 due to the re-opening of the Springmill building and due to a fairly mild winter in fiscal year 2016. These expenses are forecast to increase throughout the remaining forecast period due to rate increases.

For fiscal year 2017, printing costs are forecast to increase, because the School District is planning to publish community newsletters. These expenses are forecast to remain consistent for the rest of the forecast period.

The School District is anticipating a decrease in tuition payments and increases in open enrollment, community school expenses, and post secondary expenses based upon the latest information from the Ohio Department of Education. Excess costs are forecast to decrease from the prior fiscal year based upon information from the Ohio Department of Education. These expenses are forecast to rise throughout the forecast period in keeping with historical trends.

Supplies and Materials

The following table presents a comparison of supplies and materials for fiscal years 2017 through 2021:

	Forecasted				
	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
General Supplies, Library Books and Periodicals	$357,000	$358,000	$358,000	$359,000	$359,000
Operations, Maintenance and Repair	432,000	435,000	439,000	442,000	446,000
Textbooks	295,000	295,000	295,000	295,000	295,000
Other	11,000	11,000	11,000	11,000	11,000
Total	$1,095,000	$1,099,000	$1,103,000	$1,107,000	$1,111,000

General supplies, library books, and periodicals are expected to increase slightly in fiscal years 2017 through 2021. Operations, maintenance and repairs are expected to increase in fiscal years 2017 through 2021 due to repairs on the School District's aging buses. Textbooks are expected to be purchased at a higher rate than in the prior fiscal year after years of not purchasing many. This practice is forecast to remain the same throughout the rest of the forecast period.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2017, the School District is forecasting approximately $335,000 in equipment expenditures. In addition, $85,000 has been forecast for demolition costs for a vacant school building and $300,000 for the purchase of three buses. Finally, $400,000 has been forecast for additional costs related to the abatement, demolition and site restoration of the vacant school building, and for other capital projects. These forecasted expenditures total $1,120,000 for fiscal year 2017. Fiscal years 2018 through 2021 are expected to be similar to fiscal year 2017, but without the demolition costs and with some additional capital projects. The School District has a permanent improvement fund which it uses to make most capital expenditures, which typically include necessary repair and maintenance costs related to maintaining all buildings in current use within the School District. The School District has tried to limit capital purchases from the general fund and plans to continue to use the permanent improvement fund for a large portion of capital related purchases.

Debt Service

Debt service payments in the General Fund are related to principal and interest on Energy Conservation Notes and Tax Anticipation Notes and the repayment of the solvency assistance advance. In fiscal year 2016, the School District finished repaying the solvency assistance advance. Debt service expenditures for fiscal years 2017 through 2021 vary in accordance with the corresponding debt amortization schedules.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecast to increase in fiscal year 2017 due to election expenses, and increases in administrative service fees and bank charges. Other object expenditures are expected to increase slightly in fiscal years 2018 through 2021 mainly due to increases in liability insurance.

Transfers and Advances Out

In fiscal year 2014, a transfer was made to the self-insurance fund. In fiscal year 2016, a transfer was made for the purpose of establishing a severance fund.

For each forecasted fiscal year, it is anticipated that $350,000 will be transferred to the severance fund, and $200,000 will be transferred to the building fund in preparation for the replacement of the football field turf.

Note 8 – Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects are forecast to be $543,000 for the fiscal years 2017 through 2021.

Note 9 – Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the 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 set aside amount required for fiscal year 2017 is approximately $587,000 and expected to be the same for the remaining forecasted fiscal years. The School District anticipates $851,000 in offsets for all forecasted fiscal years due to the permanent improvement and classroom facilities maintenance tax levies. Therefore, no reserve for capital acquisition and improvements is forecast.

Note 10 – Levies

The School District has placed several levies on the ballot in the last 10 years. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
May 8, 2007	Emergency	$4,000,000	5 Years	Failed
November 6, 2007	Emergency (Renewal)	4,000,000	5 Years	Passed
March 4, 2008	Emergency (Renewal)	3,900,000	5 Years	Passed
November 6, 2012	Emergency (Renewal)	4,000,000	5 Years	Failed
May 7, 2013	Emergency (Renewal)	3,900,000	5 Years	Passed
November 5, 2013	Emergency	4,000,000	5 Years	Passed

Note 11 – Pending Litigation

The School District is a party to legal proceedings. Management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Employee Benefits Self-Insurance Fund

The School District provides hospital/medical benefits through a self-insurance program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of $150,000 per person, per fiscal year. The School District anticipates the costs of claims to increase in each fiscal year based on the increasing costs as compared to the prior fiscal year. The third-party administrator recommends that the School District maintain a reserve in the internal service fund of approximately $648,000. The fund is forecast to maintain a minimum of $3,655,000 reserve balance.

Note 13 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecast period.

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Dave Yost • Auditor of State

MANSFIELD CITY SCHOOL DISTRICT

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 20, 2016

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