

**CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE
RICHLAND COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2014



Constellation Schools

"The Right Choice for Parents and a Real Chance for Children!"



Dave Yost • Auditor of State

Board of Trustees
Constellation Schools: Mansfield Community Middle
1033 Larchwood Road
Mansfield, OH 44907

We have reviewed the *Independent Auditor's Report* of the Constellation Schools: Mansfield Community Middle, Richland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Constellation Schools: Mansfield Community Middle is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 17, 2015

**CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE
RICHLAND COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

December 26, 2014

To the Board of Trustees
Constellation Schools: Mansfield Community Middle
1033 Larchwood Road
Mansfield, OH 44907

Report on the Financial Statements

We have audited the accompanying financial statements of Constellation Schools: Mansfield Community Middle, Richland County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note XIII, the School has closed operations effective June 30, 2014.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE

Management's Discussion and Analysis For the Year Ended June 30, 2014

The discussion and analysis of Constellation Schools: Mansfield Community Middle (MCM) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the financial performance of MCM as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the financial performance of MCM.

Financial Highlights

Key financial highlights for 2014 include the following:

- In total, net position decreased \$2,548, which represents a 1.0% decrease from 2013. This decrease is due to a combination of reimbursed real estate taxes, increased Casino tax revenues and increased federal grant revenues that were partially offset by reduced state foundation funds and increased operating expenses.
- Total assets increased \$8,463, which represents a 3.3% increase from 2013. This increase is due to increased cash and due from other governments partially offset by decreased accounts receivables and capital assets.
- Liabilities increased by \$11,011, which represents a 502.8% increase from 2013. Increases in accounts payable and due to other governments were slightly offset by a decrease in unearned revenues.
- Operating revenues increased by \$27,792, which represents a 2.9% increase from 2013. This is a result of increased revenue from collections of Casino tax revenues and refunds of prior year real estate taxes partially offset by decreased foundation funding from the state.
- Expenses decreased by \$374,247 which represents a 24.1% decrease from 2013. \$377,286 of the decrease is due to a one-time loss on the sale of real estate that occurred in fiscal year 2013 partially offset by the abandonment of building improvements at the end of fiscal year 2014. Operating expense increases occurred in personnel, benefits and purchased services with decreases in materials, supplies, capital purchases, depreciation and other expenses.
- Non-operating revenues Increased by \$48,695, which represents a 31.0% increase from 2013. This increase is due to federal grants and minor state grants.
- At the May 2014 board meeting the school board of directors resolved to close the school at the end on June 2014. MCM has been following the guidelines to close a community school per Ohio Revised Code Section 3314.074. Capital assets of the school have been reclassified to "Assets Held for Resale".

Using this Financial Report

This report consists of three parts, Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. The Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Statement of Net Position

The Statement of Net Position looks at how well MCM has performed financially through June 30, 2014. This statement includes all of the assets, liabilities and net position using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended.

The following schedule provides a summary Statement of Net Position for fiscal years ended June 30, 2014 and 2013 for MCM.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Assets				
Cash	\$161,372	\$112,568	\$48,804	43.4%
Other Current Assets	41,783	14,701	27,082	184.2%
Assets Held For Sale	58,121	0	58,121	100.0%
Non-Current Assets	0	25,000	(25,000)	-100.0%
Capital Assets	<u>0</u>	<u>100,544</u>	<u>(100,544)</u>	<u>-100.0%</u>
Total Assets	<u>261,276</u>	<u>252,813</u>	<u>8,463</u>	<u>3.3%</u>
Liabilities				
Current Liabilities	<u>13,201</u>	<u>2,190</u>	<u>11,011</u>	<u>502.8%</u>
Total Liabilities	<u>13,201</u>	<u>2,190</u>	<u>11,011</u>	<u>502.8%</u>
Net Position				
Net Investment in Capital Assets	0	100,544	(100,544)	-100.0%
Unrestricted	<u>248,075</u>	<u>150,079</u>	<u>97,996</u>	<u>65.3%</u>
Total Net Position	<u>\$248,075</u>	<u>\$250,623</u>	<u>(\$2,548)</u>	<u>-1.0%</u>

Net Position decreased \$2,548, due to a combination of various increases and decreases in revenues that were only partially mitigated by reductions and increases in operating expenses from the previous year. For assets, cash increased \$48,804; accounts receivable decreased \$7,712; due from other governments increased \$9,794; assets held for sale increased \$58,121 and net capital assets decreased \$100,544 from 2013. For liabilities, accounts payable increased \$10,001; due to other governments increased \$1,190 and unearned revenues (previously deferred revenues) decreased \$180.

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reports operating and non-operating activities for the fiscal year ended June 30, 2014.

The following schedule provides a summary of the Statement of Revenues, Expenses and Changes in Net Position for MCM for fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Revenues				
Foundation and Poverty Based Assistance Revenues	\$914,655	\$928,429	(\$13,774)	-1.5%
Other Operating Revenues	56,301	14,735	41,566	282.1%
Total Operating Revenues	<u>970,956</u>	<u>943,164</u>	<u>27,792</u>	<u>2.9%</u>
Federal and State Grants	205,950	157,255	48,695	31.0%
Total Non-Operating Revenues	<u>205,950</u>	<u>157,255</u>	<u>48,695</u>	<u>31.0%</u>
Total Revenues	<u>1,176,906</u>	<u>1,100,419</u>	<u>76,487</u>	<u>7.0%</u>
Expenses				
Salaries	443,582	422,955	20,627	4.9%
Fringe Benefits	142,660	125,105	17,555	14.0%
Purchased Services	473,240	464,625	8,615	1.9%
Materials and Supplies	44,245	47,508	(3,263)	-6.9%
Capital Outlay	5,270	13,683	(8,413)	-61.5%
Depreciation and Amortization	26,418	53,839	(27,421)	-50.9%
Other Expenses	32,138	36,799	(4,661)	-12.7%
Loss on Disposal of Capital Asset	11,901	389,187	(377,286)	-96.9%
Total Expenses	<u>1,179,454</u>	<u>1,553,701</u>	<u>(374,247)</u>	<u>-24.1%</u>
Changes in Net Position	<u>(2,548)</u>	<u>(453,282)</u>	<u>450,734</u>	<u>-99.4%</u>
Net Position: Beginning of the Year	<u>250,623</u>	<u>703,905</u>	<u>(453,282)</u>	<u>100.0%</u>
Net Position: End of Year	<u><u>\$248,075</u></u>	<u><u>\$250,623</u></u>	<u><u>(\$2,548)</u></u>	<u><u>-1.0%</u></u>

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Net Position decreased in both fiscal years ending June 30, 2014 and 2013. These changes are due primarily to revenue calculated on the enrollment changes that occurred during both of these years, changes in federal funds, changes in operations at the school and a loss on the sale of real estate that occurred in 2013. Although certain expenditures such as salaries will increase/decrease as the number of classes increase/decrease other costs remain fixed such as facilities costs. Additionally, grants have been received to supplement various educational programs and purchase educational equipment.

The most significant changes in revenues from 2013 to 2014 include a decrease of \$17,189 in Foundation funding. Increases in Casino tax collections of \$3,415, federal grant funds of \$48,516 and other income of \$4,044 occurred during the year. Increases and decreases in various other revenues occurred during the year.

In total expenses decreased \$374,247 from 2013 to 2014. Salaries and Fringe Benefits increased \$38,182 due to staff changes and regular annual salary increases. Purchased services increased \$8,615 due to increases in administrative expenses offset by reductions in student support services, food services and other facility services. Materials and Supplies decreased \$3,263 due to reduced purchases of instructional supplies, software and maintenance supplies with an increase in purchases of text books. Capital Outlay decreased \$8,413 for classroom technology, furniture and equipment. Depreciation decreased by \$27,421 as a result of assets being fully depreciated during 2014. Other Operating Expenses decreased \$4,661 due to the decreased payments for insurance and other real estate taxes. A one-time loss on the sale of capital assets for \$389,187 occurred in 2013. At the end of 2014 net building improvements were abandoned totaling \$11,901.

Capital Assets

As of June 30, 2014, MCM had reclassified all of their investments in building improvements, technology, software, furniture and equipment, net of depreciation to Assets Held for Resale.

The following schedule provides a summary of Capital Assets as of June 30, 2014 and 2013 for MCM.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Capital Assets (net of depreciation)				
Building Improvements	\$0	\$12,553	(\$12,553)	-100.0%
Technology and Software	0	41,078	(41,078)	-100.0%
Furniture and Equipment	0	46,913	(46,913)	-100.0%
Net Capital Assets	<u>\$0</u>	<u>\$100,544</u>	<u>(\$100,544)</u>	<u>-100.0%</u>

For more information on capital assets see the Notes to the Financial Statements.

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Equipment Financing

During fiscal year 2014, MCM entered into a three year lease for technology equipment. The principal amount of lease is \$4,043 with an interest rate of 0.5% per annum. Equipment purchased through the lease has been capitalized. The outstanding principal value as of June 30, 2014 on the lease payable is \$3,149, which was transferred to another company whom assumed the remaining life of the lease.

Current Financial Issues

Constellation Schools: Mansfield Community Middle opened in August 2008 as Constellation Schools: Mansfield Visual & Performing Arts School. In its initial year of operations it had thirty-six students, three teaching staff members and expenses of \$509,545 to a total of 116 students, eleven teaching staff members and expenses of \$1,179,454. Beginning with the 2010 school year the middle school grades were moved to a new school.

During the past few years the school has experienced difficulties maintaining enrollment. In May 2014 the Board of Directors voted to voluntarily close the school at the end of the school year. For further information on the closing of the school see the subsequent events note in the Notes to the Financial Statements.

Contacting the School's Financial Management

This financial report is designed to provide our constituents with a general overview of the finances for MCM and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact Thomas F. Babb, M.A., CPA, by mail at Constellation Schools LLC, 5730 Broadview Road, Parma, Ohio 44134; by e-mail at babb.thomas@constellationschools.com; by calling 216.712.7600; or by faxing 216.712.7601.

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Constellation Schools: Mansfield Community Middle
Richland County, Ohio
Statement of Net Position
As of June 30, 2014

Assets:

Current Assets:

Cash	\$161,372
Due from Other Governments	11,808
Accounts Receivable	4,975
Security Deposit	25,000
Assets Held for Sale	<u>58,121</u>
 <i>Total Assets</i>	 <u>261,276</u>

Liabilities:

Current Liabilities:

Accounts Payable	12,011
Due to Other Governments	<u>1,190</u>
 <i>Total Liabilities</i>	 <u>13,201</u>

Net Position:

Unrestricted	<u>248,075</u>
 <i>Total Net Position</i>	 <u><u>\$248,075</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**Constellation Schools: Mansfield Community Middle
Richland County, Ohio
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2014**

Operating Revenues:

Foundation and Poverty Based Assistance Revenues	\$914,655
Other Operating Revenues	<u>56,301</u>
<i>Total Operating Revenues</i>	<u>970,956</u>

Operating Expenses:

Salaries	443,582
Fringe Benefits	142,660
Purchased Services	473,240
Materials and Supplies	44,245
Capital Outlay	5,270
Depreciation	26,418
Other Operating Expenses	<u>32,127</u>
<i>Total Operating Expenses</i>	<u>1,167,542</u>
Operating Loss	<u>(196,586)</u>

Non-Operating Revenues & (Expenses):

Interest Expense	(11)
Loss on Abandonment of Capital Asset	(11,901)
Federal and State Grants	<u>205,950</u>
<i>Total Non-Operating Revenues & (Expenses)</i>	<u>194,038</u>
Change in Net Position	<u>(2,548)</u>
Net Position at Beginning of the Year	<u>250,623</u>
Net Position at End of Year	<u><u>\$248,075</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**Constellation Schools: Mansfield Community Middle
Richland County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014**

Increase (Decrease) in Cash:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$914,655
Cash Payments to Suppliers for Goods and Services	(677,984)
Cash Payments to Employees for Services	(443,582)
Other Operating Revenues	<u>50,077</u>
Net Cash Used for Operating Activities	<u>(156,834)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	<u>206,543</u>
Net Cash Provided by Noncapital Financing Activities	<u>206,543</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(4,043)
Proceeds for Equipment Lease	4,043
Equipment Lease Principal Payments	(894)
Equipment Lease Interest Payments	<u>(11)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(905)</u>
Net Increase in Cash	48,804
Cash at Beginning of Year	<u>112,568</u>
Cash at End of Year	<u><u>\$161,372</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**Constellation Schools: Mansfield Community Middle
Richland County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(Continued)**

**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities:**

Operating Loss	(\$196,586)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities:**

Depreciation	26,418
Leased Capital Assets Returned/Transferred	136
Capital Asset Returned for Refund	4,862

Changes in Assets and Liabilities:

(Increase) in Due from Other Governments	(9,197)
Decrease in Accounts Receivable	7,711
Increase in Accounts Payable	10,002
(Decrease) in Unearned Revenue	(180)

Total Adjustments	39,752
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Net Cash Used for Operating Activities	(\$156,834)
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The accompanying notes to the financial statements are an integral part of this statement.

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE
- A Community School -
Richland County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

I. Description of the School and Reporting Entity

Constellation Schools: Mansfield Community Middle (MCM), is a nonprofit corporation established on January 10 pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under §501(c)(3) of the Internal Revenue Code. On November 5, 2009, MCM was issued a determination letter of tax-exempt status with the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the tax-exempt status of MCM. MCM, which is part of Ohio's education program, is independent of any school district. MCM may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of MCM.

MCM was approved for operation under a contract dated February 29, 2008 between the Governing Authority of MCM as Constellation Schools: Mansfield Visual & Performing Arts School (MVPA) and Buckeye Community Hope Foundation (BCHF) (the Sponsor). The contract has been renewed through June 30, 2015. Under the terms of the contract BCHF will provide sponsorship services for a fee. See Note XII for further discussion of the sponsor services.

MCM entered into an agreement with Constellation Schools (CS) to provide legal, financial, business and educational management services for the fiscal year. See Note XII for further discussion of this management agreement.

MCM operates under a five member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls MCM's instructional facility staffed by eleven certificated full time teaching personnel and three support staff who provide services to 116 students. During 2014, the board members for MCM also serve as the board for Constellation Schools: Puritas Community Middle; Constellation Schools: Westside Community School of the Arts; Constellation Schools: Collinwood Village Academy and Constellation Schools: Stockyard Community Middle.

At the May 2014 board meeting the board of directors resolved to close the school at the end of June 2014. MCM has been following the guidelines to close a community school per Ohio Revised Code Section 3314.074.

II. Summary of Significant Accounting Policies

The financial statements of MCM have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE
- A Community School -
Richland County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

standard setting body for establishing governmental accounting and financial reporting principles. The more significant of MCM's accounting policies are described below.

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. MCM prepares financial statements using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which MCM receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when the use is first permitted; matching requirements, in which MCM must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to MCM on a reimbursement basis. Expenses are recognized at the time they are incurred.

3. Change in Accounting Principles

For 2014, MCM has implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE
- A Community School -
Richland County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of MCM.

4. Cash

All monies received by MCM are deposited in demand deposit accounts.

5. Budgetary Process

Pursuant to Ohio Revised Code Chapter 5705.391 MCM prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. MCM will from time to time adopt budget revisions as necessary.

6. Due From Other Governments

Monies due MCM for the year ended June 30, 2014 are recorded as Due From Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the monies to be due.

7. Assets Held for Resale

At June 30, 2014 the building improvements, technology, software, furniture and equipment owned by MCM have been reclassified from Capital Assets to "Assets Held for Resale" on the statement of net position and is no longer being depreciated.

8. Capital Assets and Depreciation

During the 2014 fiscal year capital assets were capitalized at cost and updated for additions and retirements during the year. Donated fixed assets were recorded at their fair market values as of the dates received. All items with a useful life of one year or greater and a value of \$1,000 or more were 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 were not capitalized.

All capital assets were depreciated. Depreciation of building improvements, technology, software, furniture and equipment was computed using the straight line method over their estimated useful lives. Improvements to fixed assets were depreciated over the remaining useful lives of the related fixed assets or less. Estimated useful lives were as follows:

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE
- A Community School -
Richland County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Capital Asset Classification	Years
Building Improvements	10 to 40
Technology & Software	3 to 5
Furniture and Equipment	10

9. Intergovernmental Revenues

MCM currently participates in the State Foundation Program, the State Poverty Based Assistance Program and Casino Tax Distribution. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. MCM also participates in Federal Entitlement Programs, the Federal Lunch Reimbursement Program, Race to the Top and various State Grant Programs. State and Federal Grants and Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under the above named programs for the 2014 school year totaled \$1,120,605.

10. Private Grants and Contributions

MCM received grants and contributions from private sources to support the schools programs. Private grants and contributions are recognized as non-operating revenues in the accounting period in which they are received. MCM did not receive any private grants and contributions for the 2014 school year.

11. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore, MCM does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one and one-quarter day per month and can be accrued up to a maximum of one hundred twenty days. MCM will accept the transfer of sick days from another school district up to the maximum accrual amount. No financial accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

12. Use of 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 these estimates.

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE
- A Community School -
Richland County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
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13. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The unearned revenue for MCM consists of materials fees received in the current year which pertains to the next school year.

III. Deposits

At fiscal year end June 30, 2014, the carrying amount of MCM's deposits totaled \$161,372 and its bank balance was \$171,973. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2014, none of the bank balance was exposed to custodial risk as discussed below, while \$171,973 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, MCM will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of MCM.

IV. Purchased Services

Purchased Services include the following:

Instruction	\$49,921
Pupil Support Services	58,180
Staff Development & Support	25,030
Administrative	178,294
Occupancy Costs	114,498
Food Services	46,858
Student Activities	<u>459</u>
Total Purchased Services	<u><u>\$473,240</u></u>

CONSTELLATION SCHOOLS: MANSFIELD COMMUNITY MIDDLE
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V. Operating Lease

Effective August 15, 2012 MCM leases its facility from Constellation Schools: Mansfield Community Elementary (MCE) under a one year lease with the ability to renew annually. Both MCE and MCM agreed to renew the lease for the 2014 fiscal year. Under the terms of the lease MCM made monthly lease payments of \$4,000. MCE charged MCM a total of \$48,000 for rent during the year. As of June 30, 2014 all monies due MCE from MCM have been paid.

VI. Capital Assets

A summary of capital assets at June 30, 2014 follows:

	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance</u> <u>6/30/14</u>
Capital Assets Being					
Depreciated:					
Building Improvements	\$13,040	\$0	(\$13,040)	\$0	\$0
Technology and Software	173,216	4,043	(57,253)	(120,006)	0
Furniture and Equipment	<u>72,906</u>	<u>0</u>	<u>0</u>	<u>(72,906)</u>	<u>0</u>
Total Capital Assets Being Depreciated	<u>259,162</u>	<u>4,043</u>	<u>(70,293)</u>	<u>(192,912)</u>	<u>0</u>
Less Accumulated					
Depreciated:					
Building Improvements	(487)	(652)	1,139	0	0
Technology and Software	(132,138)	(18,309)	49,106	101,341	0
Furniture and Equipment	<u>(25,993)</u>	<u>(7,457)</u>	<u>0</u>	<u>33,450</u>	<u>0</u>
Total Accumulated Depreciation	<u>(158,618)</u>	<u>(26,418)</u>	<u>50,245</u>	<u>134,791</u>	<u>0</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$100,544</u>	<u>(\$22,375)</u>	<u>(\$20,048)</u>	<u>(\$58,121)</u>	<u>\$0</u>

At the May 2014 board meeting the board of directors resolved to close the school at the end of June 2014. Building improvements and the associated accumulated depreciation have been written off as abandoned at the end of the year. MCM has been actively disposing of the property owned by the school. Technology, software, furniture and equipment of the school have been reclassified to "Assets Held for Resale" as of June 30, 2014 and are no longer being depreciated.

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VII. Capital Equipment Lease Payable

During fiscal year 2014, MCM entered into a three year lease for technology equipment. The principal amount of lease is \$4,043 with an interest rate of 0.5% per annum. This lease meets the criteria of a capital lease as defined by accounting standards, which defines a capital lease generally as one which transfers the benefits and risks of ownership of the lessee.

Assets of technology equipment totaling \$4,043 have been capitalized. This amount represents the actual purchase price of the equipment and is the same as the net present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2014 totaled \$894 and interest paid totaled \$11. On June 30, 2014 the leased equipment, with a remaining principal balance of \$3,149, was transferred to another company which assumed the remaining life of the lease.

VIII. Risk Management

1. Property and Liability Insurance

MCM 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. For fiscal year 2014, MCM contracted with Traveler's Property Casualty Company of America for property insurance, The Hanover Insurance Company for liability insurance and errors and omissions insurance and Allamerica Financial Benefit Insurance Company for Automobile insurance.

General property and liability is covered at \$10,000,000 single occurrence limit and \$11,000,000 aggregated. Hired and Non-Owned Vehicles are covered at \$1,000,000 combined single limit of liability. Other coverage includes Employee Crime, School Leaders Errors & Omissions, Sexual Abuse and Misconduct, Electronic Data Processing and Business Interruption. Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

2. Workers' Compensation

MCM makes premium payments to the Ohio Worker's Compensation System for employee injury coverage. There have been no claims filed by MCM employees with the Ohio Worker's Compensation System between January 1, 2008 and June 30, 2014.

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3. Employee Medical, Dental, Vision and Life Benefits

MCM provides medical, dental, vision and life insurance benefits to all full time employees. Employees participate in premium payments through pretax payroll deductions. Total insurance benefits paid by MCM for the fiscal year is \$66,013.

IX. Defined Benefit Pension Plans

1. State Teachers Retirement System

MCM 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 comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, by calling toll-free 1-888-227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the members' three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years until 100% of the final average salary is

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reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount for DB Plan participants.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the member's account balance.

Member contributions in the Combined Plan are allocated by the member, and employer contributions are used to fund a defined benefit payment. A members' defined benefit is determined by multiplying 1% of the members' final average salary by the members' years of service credit. The defined portion of the Combined Plan is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

The DB and Combined Plan offer access to health coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The amount required to fund pension obligations during the year is 13%.

MCM's required contributions for pension obligations for the fiscal years ended June 30, 2014, 2013 and 2012 were \$51,646, \$48,883 and \$45,179 respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012. Member and employer contributions actually made for DB, DC and Combined Plan participants will be provided upon written request.

2. School Employees Retirement System

MCM contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and MCM is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. MCM's contributions to SERS for the

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fiscal years ended June 30, 2014, 2013 and 2012 were \$6,483, \$6,571 and \$6,201, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

X. Post-Employment Benefits Other than Pension Benefits

1. State Teachers Retirement System

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plans. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2014, 2013 and 2012 MCM's contributions to post-employment health care were \$3,973, \$3,760 and \$3,475, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

2. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio administers two post-employment benefit plans. The Medicare B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2014 the actuarially required allocation is .76%. For the fiscal years ended June 30, 2014, 2013 and 2012 MCM's contributions to Medicare Part B were

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\$352, \$347 and \$337, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Ohio Revised Code provides a statutory authority to fund SERS' postemployment benefits through employee contributions. Active members do not make contributions to the postemployment plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014 the health care allocation is 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the fiscal years ended June 30, 2014, 2013 and 2012 MCM's contributions to the Health Care Plan, including the surcharge were \$867, \$454 and \$1,301, respectively; 7.50% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012. \$802 representing the unpaid surcharge due for fiscal year 2014 is recorded as a liability within the respective funds.

XI. Contingencies

1. Grants

MCM received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions, specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of MCM. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of MCM at June 30, 2014.

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2. Enrollment FTE

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2014 are immaterial and are not reflected in the 2014 financial statements.

XII. Sponsorship and Management Agreements

MCM entered into an agreement with Buckeye Community Hope Foundation to provide sponsorship and oversight services as required by law. The agreement is effective until June 30, 2015. Sponsorship fees are calculated as 3% of the Fiscal Year 2014 Foundation payments received by MCM, from the State of Ohio. The total amount due from MCM for fiscal year 2014 was \$26,935, all of which was paid prior to June 30, 2014.

MCM entered into an agreement with Constellation Schools LLC to provide legal, financial, and business management services for fiscal year 2014. The agreement was for a period of one year, effective July 1, 2013. Management fees are calculated as 6.25% of the Fiscal Year 2014 Foundation payments received by MCM from the State of Ohio plus a fixed fee of \$86,625. The total amount due from MCM for the fiscal year ending June 30, 2014 was \$107,510. During the 2014 year CS issued credits totaling \$16,032 to MCM to reduce total management fees. After application of the credits, the total amount due from MCM for the fiscal year ending June 30, 2014 was \$127,374. A total of \$8,968 was due CS as of June 30, 2014.

XIII. Subsequent Events

At their May 2014 meeting, the Board of MCM voted to voluntarily close the school effective at the end of June 2014. MCM has followed closing procedures updated in February 2014 regarding notices, student records and property owned by MCM. All property owned by MCM as of June 30, 2014 has either been transferred to other community schools (if purchased with federal Public Charter School Program grant funds) or sold by public auction in accord with established guidelines for property purchased with general operating funds.

As of December 26, 2014 MCM had a cash balance of \$161,032 and known liabilities of \$35,158. Once all costs and liabilities are known and all funds due MCM have been collected, MCM will pay its final costs and any residual cash balance remaining will be remitted to the ODE per Ohio Revised Code Section 3314.074.

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December 26, 2014

To the Board of Trustees
Constellation Schools: Mansfield Community Middle
1033 Larchwood Road
Mansfield, OH 44907

**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, in accordance with the 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, the financial statements of the Constellation Schools: Mansfield Community Middle, Richland County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 26, 2014, which indicates the School closed operations effective June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Constellation Schools: Mansfield Community Middle
Independent Auditors 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*
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio



Dave Yost • Auditor of State

MANSFIELD COMMUNITY MIDDLE

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2015**