



Dave Yost • Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Cash Receipts Cash Disbursements and Changes in Fund Cash Balance All Governmental Fund Types for the Fiscal Year Ended June 30, 2014	5
Combined Statement of Cash Receipts Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types for the Fiscal Year Ended June 30, 2014.....	6
Notes to the Basic Financial Statements	7
Federal Awards Receipts and Expenditures Schedule.....	25
Notes to the Federal Awards Receipts and Expenditures Schedule	26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	29
Schedule of Findings and Questioned Costs	33
Schedule of Prior Audit Findings.....	37
Corrective Action Plan.....	39

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Manchester Local School District
Summit County
6075 Manchester Road
Akron, Ohio 44319

To the Board of Education

Report on the Financial Statements

We have audited the accompanying financial statements of Manchester Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the District prepared these financial statements using cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Manchester Local School District as of and for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2014, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Types Definitions, as a result certain fund balances were restated. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

The District also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

April 17, 2015

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Manchester Local School District
Summit County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2014

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property Taxes	\$ 6,971,207	\$ 0	\$ 0	\$ 92,666	\$7,063,873
Tuition	826,880	0	0	0	826,880
Intergovernmental	6,089,300	489,614	0	15,660	6,594,574
Rent	11,938	0	0	0	11,938
Earnings on Investments	711	0	0	0	711
Extracurricular Activities	130	152,104	0	0	152,234
Customer Sales and Services	2,513	187,127	0	0	189,640
Contributions	46,149	15,243	0	0	61,392
Miscellaneous	7,560	0	0	0	7,560
<i>Total Cash Receipts</i>	<u>13,956,388</u>	<u>844,088</u>	<u>0</u>	<u>108,326</u>	<u>14,908,802</u>
Cash Disbursements					
Current:					
Instruction:					
Regular	6,000,797	117,973	0	0	6,118,770
Special	1,376,633	355,761	0	0	1,732,394
Vocational Education	72,034	0	0	0	72,034
Adult/Continuing	25,240	0	0	0	25,240
Support Services:					
Pupils	1,020,542	0	0	0	1,020,542
Instructional Staff	314,410	20,892	0	0	335,302
Board of Education	36,143	0	0	0	36,143
Administration	887,981	1,005	0	7	888,993
Fiscal	393,122	0	0	1,674	394,796
Business	70,105	0	0	0	70,105
Operations and Maintenance	1,318,605	19,346	0	985	1,338,936
Pupil Transportation	812,543	0	0	0	812,543
Central	132,405	117	0	0	132,522
Operation of Non-Instructional Services:					
Food Service Operations	0	336,231	0	0	336,231
Extracurricular	457,592	157,348	0	0	614,940
Capital Outlay	48,700	0	0	47,564	96,264
Debt Service:					
Principal Retirement	0	0	92,374	0	92,374
Interest and Fiscal Charges	0	0	29,250	0	29,250
<i>Total Cash Disbursements</i>	<u>12,966,852</u>	<u>1,008,673</u>	<u>121,624</u>	<u>50,230</u>	<u>14,147,379</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>989,536</u>	<u>(164,585)</u>	<u>(121,624)</u>	<u>58,096</u>	<u>761,423</u>
Other Financing Receipts (Disbursements)					
Refund Prior Year Expenditures	81,489	961	0	0	82,450
Advances In	0	124,548	0	0	124,548
Advances Out	(124,548)	0	0	0	(124,548)
Transfers In	0	29,025	121,624	0	150,649
Transfers Out	(95,969)	0	0	(63,560)	(159,529)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(139,028)</u>	<u>154,534</u>	<u>121,624</u>	<u>(63,560)</u>	<u>73,570</u>
<i>Net Change in Fund Cash Balances</i>	850,508	(10,051)	0	(5,464)	834,993
<i>Fund Cash Balances, July 1 (Restated, See Note 15)</i>	<u>635,794</u>	<u>109,097</u>	<u>0</u>	<u>55,016</u>	<u>799,907</u>
Fund Cash Balances, June 30					
Restricted	0	99,046	0	49,552	148,598
Assigned	71,356	0	0	0	71,356
Unassigned (Deficit)	1,414,946	0	0	0	1,414,946
<i>Fund Cash Balances, June 30</i>	<u>\$ 1,486,302</u>	<u>\$ 99,046</u>	<u>\$ 0</u>	<u>\$ 49,552</u>	<u>\$ 1,634,900</u>

See accompanying notes to the basic financial statements.

Manchester Local School District
Summit County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2014

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Internal Service	Private Purpose Trust	Agency	
Operating Cash Receipts				
Charges for Services	\$ 1,385,673	\$ 0	\$ 0	\$ 1,385,673
Extracurricular Activities	0	0	105,462	105,462
Earnings on Investments	0	91	0	91
Contributions and Donations	0	12,904	0	12,904
<i>Total Operating Cash Receipts</i>	<u>1,385,673</u>	<u>12,995</u>	<u>105,462</u>	<u>1,504,130</u>
Operating Cash Disbursements				
Salaries	0	0	3,240	3,240
Purchased Services	247,879	0	2,693	250,572
Claims	997,080	0	0	997,080
Other	0	14,048	101,680	115,728
<i>Total Operating Cash Disbursements</i>	<u>1,244,959</u>	<u>14,048</u>	<u>107,613</u>	<u>1,366,620</u>
<i>Operating Income (Loss)</i>	<u>140,714</u>	<u>(1,053)</u>	<u>(2,151)</u>	<u>137,510</u>
Non-Operating Receipts (Disbursements)				
Earnings on Investments	10	0	45	55
Contributions and Donations	0	0	450	450
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>10</u>	<u>0</u>	<u>495</u>	<u>505</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	140,724	(1,053)	(1,656)	138,015
Transfers In	0	500	8,380	8,880
<i>Net Change in Fund Cash Balances</i>	140,724	(553)	6,724	146,895
<i>Fund Cash Balances, July 1 (Restated, See Note 15)</i>	<u>69,659</u>	<u>114,958</u>	<u>51,085</u>	<u>235,702</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 210,383</u>	<u>\$ 114,405</u>	<u>\$ 57,809</u>	<u>\$ 382,597</u>

See accompanying notes to the basic financial statements.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Manchester Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five-member elected Board of Education, and is responsible for providing public education to residents of the District.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The City of New Franklin, Franklin Township and Parent Teacher Association perform activities within the District boundaries for the benefit of its residents and are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

The District is involved with three jointly governed organizations and one insurance purchasing pool. These organizations are the Northeast Ohio Network for Educational Technology (NEONET), the Portage Lakes Career Center, the Interval Opportunity School, and the Schools of Ohio Risk Sharing Authority. Information about these organizations is presented in Notes 11 and 12 to the financial statements.

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

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash and Investments

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest is presented as "fund cash balances" on the statement of cash receipts, cash disbursements, and changes in fund cash balances. See Note 2, for more detail on the District's cash and investments.

Investments in repurchase agreements are valued at cost. Investments in money markets are valued at share price, which is the price the investment could be sold for on June 30, 2014.

D. Fund Accounting

The 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 specific recording of 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 type of fund are as follows:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds – These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. The District had the following significant special revenue funds:

Food Service Fund – This fund is used to record financial transactions related to food service operation.

District Managed Student Activity Fund – This fund is used to account for those student activity programs which have student participation in the activity but do not have student management of the programs.

IDEA, Part B Fund – This fund is used to account for grants to assist states in providing an appropriate public education to all children with disabilities.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund may also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. The District’s only debt service fund is the Bond Retirement Fund which is used to accumulate resources for the payment of principal and interest on the District’s leases.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The District had the following significant capital projects fund:

Permanent Improvement Fund – This fund is used to account for all transactions related to the acquiring, construction or improving of permanent improvements.

Internal Service Funds – This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District had the following significant internal service fund:

Self-Insurance Fund – This fund is used to account for the cost of medical, dental, vision and prescription benefits provided to the District’s employees.

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held by the District in a trustee capacity for individuals and/or private organizations which benefit the student body or the local community.

The District’s Private Purpose Trust Funds accounts for programs that provide college scholarships to students after graduation.

The District’s Agency Fund is used to account for assets held by a government unit as an agent for individuals, other governmental units and/or other funds. The District had the following significant agency fund:

Student Managed Activity Fund – This fund is used to account for those student activity programs which have student participation in the activity and have students involved in the management of the program.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Fiscal Officer for Summit County, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1, to June 30 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the 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 year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a 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.

3. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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

A summary of 2014 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

I. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 2: POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

- 1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- 6) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7) The State Treasurer’s Investment Pool (STAR Ohio) and STAR Plus; and
- 8) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – At June 30, 2014, the carrying amounts of the District’s deposits were \$425,244 and the bank balances were \$584,766. As of June 30, 2014, \$431,035 of the bank balance was covered by federal depository insurance and \$153,731 was uncollateralized and uninsured.

Investments

As of June 30, 2014, the District had the following investment and maturity:

	Fair Value	Investment Maturity <u>3 months or less</u>	Percent of Total
Sweep Account	\$ 1,450,000	\$ 1,450,000	91.07%
Money Market Account	142,253	142,253	8.93%
	<u>\$ 1,592,253</u>	<u>\$ 1,592,253</u>	<u>100.00%</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment in repurchase agreements is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Credit Risk. The District's investments in the federal agency securities that underlie the District's repurchase agreement and money market account were rated Aaa by Moody's Investor Services. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2014 is as follows:

	2014 Budgeted vs Actual Receipts		
	Budget	Actual	Variance
	Receipts	Receipts	
General	\$ 14,881,327	\$ 14,037,877	\$ (843,450)
Special Revenue	1,066,583	998,622	(67,961)
Debt Service	121,624	121,624	0
Capital Projects	108,430	108,326	(104)
Internal Service	1,513,000	1,385,683	(127,317)
Fiduciary	71,500	136,212	64,712

	2014 Appropriation vs Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 13,247,306	\$ 13,218,088	\$ 29,218
Special Revenue	1,076,078	1,014,548	61,530
Debt Service	121,624	121,624	0
Capital Projects	123,291	118,790	4,501
Internal Service	1,244,959	1,244,959	0
Fiduciary	138,638	130,391	8,247

NOTE 4: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The District receives property taxes from Summit County. The Summit County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 172,809,930	93.70%	\$ 173,313,060	93.09%
Public Utility Personal Property	11,625,610	6.30%	12,865,820	6.91%
	\$ 184,435,540	100.00%	\$ 186,178,880	100.00%
Full Tax Rate per \$1,000 of assessed value	\$ 63.93		\$ 69.89	

NOTE 5: INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

For 2014, the District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The District 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. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$318,388, \$273,231 and \$250,138, respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$732,664, \$787,509 and \$767,481, respectively; 100 percent has been contributed for all fiscal years.

NOTE 7: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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 monthly 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. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$33,908, \$34,164 and \$41,660, respectively; 100 percent has been contributed for all fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,471, \$15,434 and \$14,772, respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$56,359, \$60,578 and \$59,037, respectively; 100 percent has been contributed for all fiscal years.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8: SELF INSURANCE

The District provides major medical, hospitalization, vision, prescription drug, dental, and life insurance benefits to its employees through a third party administrator.

The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of June 30 follows:

Cash and Investments	\$	210,383
Actuarial Liabilities	\$	77,054

NOTE 9: CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the financial statements.

NOTE 10 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into the capital improvement reserve. This reserve is calculated and presented on a cash basis. During the fiscal year ended June 30, 2014, the reserve activity was as follows:

	Capital Improvement Reserve
Set-Aside Restricted Balance, June 30, 2013	\$ 0
Current Year Set-Aside Requirement	238,506
Current Year Qualifying Expenditures	(223,371)
Current Year Offset	(108,326)
Total	\$ (93,191)
 Balance Carried Forward to Fiscal Year 2015	 \$ 0
 Set-Aside Restricted Balance June 30, 2014	 \$ 0

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet) – The Northeast Ohio Network for Educational Technology (NEOnet) is a consortium of Educational Service Centers which have voluntarily formed in order to provide for the schools common needs. NEOnet is 1 of 23 sites in the Ohio Education Computer Network providing computer services to schools in their respective geographic areas. NEOnet serves educational service centers and school districts primarily in Summit, Medina and Portage Counties. The governance of NEOnet is controlled by an Assembly, Board of Directors and several subcommittees. The Agreement explains the role of each group and the methods used to make decisions. The Security Policy details the process of gaining access to our resources. The Student Data Release Form should be accessed to start the process of downloading student data. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. All the consortium revenues are generated from charges for services and State funding.

Portage Lakes Career Center – The Portage Lakes Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District’s students may attend the vocational school. Each school district’s control is limited to its representation on the board.

Interval Opportunity School – The Interval Opportunity School (the “School”) is a jointly governed organization of three area public school districts. The function of the School is to provide “at risk students” with a better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the School. The School is governed by a Board of Directors comprised of each superintendent from Coventry Local, Portage Lakes Career Center and Green Local. The Summit County Educational Service Center serves as the fiscal agent of the School. The continued existence of the School is not dependent on the District’s continued participation and no equity interest exists.

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12: INSURANCE POOL

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between the SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

NOTE 13: LONG TERM DEBT

The changes in the District's long-term obligations during fiscal year 2014 were as follows:

		Outstanding 7/1/2013	Additions	Deletions	Outstanding 6/30/2014
Long-Term Debt:					
2012 General Obligation Bond	3.20%	\$ 180,000	\$ 0	\$ 15,000	\$ 165,000
2012 Tax Anticipation Note	3.20%	520,000	0	45,000	475,000
Total Long-Term Debt		<u>700,000</u>	<u>0</u>	<u>60,000</u>	<u>640,000</u>
Lease Obligation		168,753	0	32,374	136,379
		<u>\$ 868,753</u>	<u>\$ 0</u>	<u>\$ 92,374</u>	<u>\$ 776,379</u>

The District issued Series 2012 School Improvement Bonds in the amount of \$180,000 in July 2012. The Series 2012 bonds were issued for the purpose of rehabilitating, reconstructing, renovating, equipping and otherwise improving District buildings and facilities and improving their sites, including roof restoration, paving improvements, gymnasium repairs, building security improvements and District treatment plant upgrades.

The District issued Series 2012 Tax Anticipation Notes for \$520,000. These Notes are issued in lieu of and in anticipation of the collection of a fraction of the proceeds to be received from the collection of an additional ad valorem property tax in excess of the ten-mill limitation approved by the electors of the District at an election thereon held on March 6, 2012 (the Tax Levy), for the purpose of general permanent improvements.

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2014, are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 62,000	\$ 19,488	\$ 81,488
2016	65,000	17,456	82,456
2017	66,000	15,360	81,360
2018	69,000	13,200	82,200
2019	71,000	10,960	81,960
2020-2023	307,000	20,080	327,080
	<u>\$ 640,000</u>	<u>\$ 96,544</u>	<u>\$ 736,544</u>

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14: LEASES

The District leases buses under non-cancelable leases. The District disbursed \$40,184 to pay lease costs for the year ended June 30, 2014. Future lease payments are as follows:

Fiscal Year	Amount
2015	\$ 34,320
2016	28,455
2017	28,457
2018	28,455
2019	21,649
2020-2023	14,843
Total Principal and Interest	156,179
Less Amount Representing Interest	19,800
Total Principal	\$ 136,379

NOTE 15: RESTATEMENT OF FUND CASH BALANCES

On July 1, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned. The adjustments had the following effect on governmental and proprietary fund cash balances:

	Governmental Fund Cash Balances				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Beginning fund balances, June 30, 2013	\$ 524,672	\$ 213,028	\$ 0	\$ 55,016	\$ 114,958
Adjustments:					
Fund reclassifications	111,122	(103,931)	0	0	(114,958)
Beginning fund balances, July 1, 2013	\$ 635,794	\$ 109,097	\$ 0	\$ 55,016	\$ 0

	Proprietary Fund Cash Balances			
	Enterprise	Internal Service	Private Purpose	Agency
Beginning fund balances, June 30, 2013	\$ 475	\$ 76,375	\$ 0	\$ 51,085
Adjustments:				
Fund reclassifications	(475)	(6,716)	114,958	0
Beginning fund balances, July 1, 2013	\$ 0	\$ 69,659	\$ 114,958	\$ 51,085

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 16: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund cash balance for the major governmental funds types are presented as follows:

	General	Special Revenue	Capital Projects	Total
Restricted for:				
Capital Outlay	\$ 0	\$ 0	\$ 49,552	\$ 49,552
Other:				
Student Managed Activities	0	37,291	0	37,291
State Grants	0	5,708	0	5,708
Federal Grants	0	44,553	0	44,553
Other Purposes	0	11,494	0	11,494
Total Restricted	<u>0</u>	<u>99,046</u>	<u>49,552</u>	<u>148,598</u>
Assigned for:				
Encumbrances:				
Instructional	54	0	0	54
Support Services	16,613	0	0	16,613
Extracurricular Activities	4,054	0	0	4,054
Capital Outlay	9,999	0	0	9,999
Subsequent Year Appropriations	40,636	0	0	40,636
Total Assigned	<u>71,356</u>	<u>0</u>	<u>0</u>	<u>71,356</u>
Unassigned	<u>1,414,946</u>	<u>0</u>	<u>0</u>	<u>1,414,946</u>
Total Fund Cash Balance (Deficit)	<u>\$ 1,486,302</u>	<u>\$ 99,046</u>	<u>\$ 49,552</u>	<u>\$ 1,634,900</u>

Manchester Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 17: INTERNAL ACTIVITY

A. Interfund Advances

Interfund advances consisted of the following at June 30, 2014:

	Advances In	Advances Out
General Fund	\$ 0	\$ 124,548
Special Revenue Funds:		
Race to the Top	49,354	0
IDEA Part B	44,942	0
Title I	21,531	0
Improving Teacher Quality	8,721	0
	\$ 124,548	\$ 124,548

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances were interfund loans which were not repaid in the current fiscal year, however expected to be repaid in the next fiscal year.

B. Interfund Transfers

Transfers made during fiscal year 2014 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 95,969
Special Revenue Funds:		
Food Service	27,168	0
District Managed Student Activities	1,857	0
Debt Service	121,624	0
Capital Projects Fund: Permanent Improvement	0	63,560
Private Purpose Trust Fund: Special Trust	500	0
Agency Fund: Student Managed Activities	8,380	0
	\$ 159,529	\$ 159,529

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer of \$63,560 from the capital project fund was to the debt service fund for principal payments on debt obligations.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Pass through Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States	050005-3M20-13	84.027	\$5,098	\$13,911
Special Education - Grants to States	050005-3M20-14	84.027	178,171	223,583
Total Special Education Cluster			<u>183,269</u>	<u>237,494</u>
Title I Cluster:				
Title I Grants to Local Educational Agencies	05005-3M00-13	84.010	21,956	24,324
Title I Grants to Local Educational Agencies	05005-3M00-14	84.010	73,100	94,805
Total Title I Cluster			<u>95,056</u>	<u>119,129</u>
ARRA - Race-to-the-Top Incentive Grants	050005-3FD0-12	84.395		16,130
ARRA - Race-to-the-Top Incentive Grants	050005-3FD0-13	84.395	357	3,060
ARRA - Race-to-the-Top Incentive Grants	050005-3FD0-14	84.395	43,711	64,442
Total ARRA - Race-to-the-Top Incentive Grants			<u>44,068</u>	<u>83,632</u>
Improving Teacher Quality State Grants	050005-3Y60-14	84.367	24,630	33,351
Total U.S. Department of Education			<u>347,023</u>	<u>473,606</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	050005-3L60-14	10.555	117,941	117,941
Non-Cash Assistance (Food Distribution):	N/A	10.555	27,370	27,370
National School Breakfast Program	050005-3L70-14	10.553	16,211	16,211
Total Child Nutrition Cluster			<u>161,522</u>	<u>161,522</u>
Child Nutrition Program	050005-3670	10.574	718	718
Total U.S. Department of Agriculture			<u>162,240</u>	<u>162,240</u>
Totals			<u>\$509,263</u>	<u>\$635,846</u>

The accompanying notes are an integral part of this schedule.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Manchester Local School District, Summit County (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Manchester Local School District
Summit County
6075 Manchester Road
Akron, Ohio 44319

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Manchester Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2015, wherein we issued an adverse opinion as the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the District adopted Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. 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. We consider finding 2014-002 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

April 17, 2015



Dave Yost • Auditor of State

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

Manchester Local School District
Summit County
6075 Manchester Road
Akron, Ohio 44319

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Manchester Local School District's, Summit County, Ohio, (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could directly and materially affect each of the Manchester Local School District's major federal programs for the year ended June 30, 2014. The Summary of Audit Results in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' Government Auditing Standards; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Special Education – Grants to States

As described in finding 2014-003 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable cost/costs principles applicable to its Special Education – Grants to States major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Special Education – Grants to States

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education – Grants to States* paragraph, the Manchester Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education – Grants to States for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Manchester Local School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2014-004. This finding did not require us to modify our compliance opinion on each major federal program.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-003 to be a material weakness.

The District's response to our internal control over compliance findings is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

April 17, 2015

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**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Special Education Grants to States and Unmodified – Child Nutrition Cluster
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education – Grants to State – CFDA #84.027 Child Nutrition Cluster: National School Lunch Program – CFDA #10.555 Non-Cash Assistance (Food Distribution) – CFDA #10.555 National School Breakfast Program – CFDA #10.553
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

1. Financial Statement Presentation

<i>Finding Number</i>	2014-001
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NONCOMPLIANCE

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

Further, **Ohio Revised Code Section 117.38**, states that cash-basis entities must file annual reports with the Auditor of State. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report within 60 days after year end shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The District did not file an annual report with the Auditor of State and did not obtain a waiver for filing late. Also the District did not prepare its annual financial report in accordance with GAAP. The District prepared its annual financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to **Ohio Rev. Code Section 117.38**, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its annual financial report in accordance with GAAP, implement all applicable Governmental Accounting Standard Board statements, and file an annual report with the Auditor of State by the required deadline.

Official's Response: The Manchester Local Board of Education has elected not to prepare its annual financial report in accordance with generally accepted accounting principles.

2. Bank Reconciliation

<i>Finding Number</i>	2014-002
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MATERIAL WEAKNESS

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. Bank reconciliation means accounting for the difference between the balance on the bank statement(s) and the cash and investment balances according to the entity's records.

For the District's June 30, 2014 bank reconciliation, we noted the District reconciled the bank balances to the books by reflecting an unsupported addition of \$71,307. The Independent Public Accounting (IPA) firm hired to compile the financial statements identified \$68,166 of the difference leaving an unreconciled balance of \$3,141 at year end.

Finding 2014-002 (Continued)

The majority of the unreconciled difference was a result of the District's failure to reconcile the Self Insurance bank account throughout the year. There was interest income earned and bank deposits that were not recorded on the District's books. Also a deposit of \$68,128 was posted to the books that was not deposited in the Self Insurance bank account. The amount was deposited into another bank account of the District's in error. These exceptions resulted in the Self Insurance fund being understated by \$127,431. The financial statements and District's ledgers have been adjusted.

In addition, the District lacked monitoring control procedures over the bank reconciliations. The bank reconciliations are prepared and reviewed by the Treasurer and are not presented to the Board of Education for review or approval.

The Treasurer or designee should reconcile the month end bank balances (all bank accounts) to the cash balance per the accounting system on a monthly basis. Any items listed as adjustments to the reconciliations should be properly identified and support documentation attached to the reconciliations. Due to the size of the Treasurer's office and lack of proper segregation of duties, all reconciliations should be reviewed and signed as approved by the Board of Education. Additionally, all adjustments to fund balances should be determined by fund and after approval of the Board should be posted the fund to which it applies. This will help to ensure the District's financial records and/or financial statements are complete and accurate

Official's Response: We are in the process of completing the balancing issue from June. A balancing process has since been implemented.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Special Education - Unallowable Expenditures

Finding Number	2014-003
CFDA Title and Number	Special Education – Grants to States – CFDA #84.027
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE AND MATERIAL WEAKNESS

34 C.F.R. 80.22 sets limitations on the use of grant funds and 2 C.F.R. 225, Appendix A, Section C. (1.)(a) requires for a cost to be allowable under Federal awards, the cost must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

The District used \$24,261 in Special Education Grant funds to buy testing materials that were used universally for all students. Special Education funds are required to be used for the excess cost of special education. Providing testing materials universally for all students is not an appropriate use of Special Education funds and resulted in a questioned cost of \$24,261.

Finding Number 2014-003 (Continued)

In order to help ensure compliance with Federal grant requirements and avoid potential questioned costs in the future, the District should only charge disbursements to the award that are for the excess costs of providing special education.

Official's Response: See corrective action plan on page 39.

2. Federal Single Audit Reporting

Finding Number	2014-004
CFDA Title and Number	Special Education – Grants to States – CFDA #84.027 Title I Grants to Local Educational Agencies – CFDA #84.010 ARRA – Race to the Top Incentive Grants – CFDA #84.395 Improving Teacher Quality State Grants – CFDA #84.367 National School Lunch Program – CFDA #10.555 National School Breakfast Program – CFDA #10.553 Child Nutrition Program – CFDA #10.574
Federal Award Number / Year	2014, 2013, and 2012
Federal Agency	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE

OMB Circular A-133 Section 200 (b) provides that non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with Section 500 except when they elect to have a program-specific audit conducted in accordance with paragraph (c) of this section.

OMB Circular A-133 Section 320 (a) provides the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The District did not file its June 30, 2014 data collection form and reporting package by March 31, 2015.

We recommend the District submit its data collection form and reporting package within the time frame as required by OMB Circular A-133 Section 320.

Official's Response: See corrective action plan on page 39.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	<p>Ohio Rev. Code Section 117.38, Filing of the Financial Report</p> <p>Ohio Admin. Code Section 117-2-03(B), Prepare Annual Financial Report in Accordance with Generally Accepted Accounting Principles</p> <p>AOS Bulletin 2011-004 Requires local governments preparing regulatory statements to implement both the new fund balance classifications and the government fund type definitions, as stated in GASB No. 54.</p>	No	Partially Corrected. Refer to Finding 2014-001.
2013-002	<p>2 C.F.R., Part 225, Appendix B paragraph 8(h) requirements for a cost to be allowable under Federal awards.</p> <p>34 C.F.R. 80.22 sets limitations on the use of grant funds.-</p> <p>Noted unallowable costs being paid from the Title I Program and Special Education Cluster which resulted in questioned costs of \$15,090 and \$13,301 respectively.</p>	No	Partially Corrected. Refer to Finding 2014-003.

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**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-003	After speaking with the Ohio Department of Education, the district is in agreement of what expenditures qualify for Early Intervention through Federal Funds.	Completed	Treasurer/Special Ed Director
2014-004	The Federal audit will be completed in a more timely manner.	4-30-16	Jen Rucker, Treasurer

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Dave Yost • Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2015**