

**Manchester Local School  
District**  
*Audited Financial Statements*

*June 30, 2011*





# Dave Yost • Auditor of State

Board of Education  
Manchester Local School District  
6075 Manchester Road  
Akron, Ohio 44319

We have reviewed the *Independent Auditor's Report* of the Manchester Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Manchester Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

March 29, 2012

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**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**JUNE 30, 2011**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Independent Auditor’s Report .....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types & Expendable Trust Fund for the Year Ended June 30, 2011 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types for the Year Ended June 30, 2011 .....	4
Notes to the Financial Statements .....	5-19
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 <i>Government Auditing Standards</i> .....	20-21
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	22-23
Schedule of Expenditures of Federal Awards .....	24
Schedule of Findings and Responses .....	25-27
Schedule of Prior Audit Findings .....	28
Independent Accountant’s Report on Applying Agreed-Upon Procedures .....	29

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**INDEPENDENT AUDITOR'S REPORT**

January 30, 2012

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

To the Board of Education:

We have audited the accompanying financial statements of Manchester Local School District (the "District"), Summit County, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the year ended June 30, 2011 in accordance with accounting principles generally accepted in the United States of America.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. The schedule of expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The schedule of expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Schedule of Expenditures of Federal Awards.

*Rea & Associates, Inc.*

**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Taxes	\$ 5,310,068	\$ 242,572	\$ 0	\$ 86,572	\$ 0	\$ 5,639,212
Tuition	12,938	0	0	0	0	12,938
Intergovernmental Revenue	6,430,174	1,249,848	0	21,134	0	7,701,156
Food Service	0	2,119	0	0	0	2,119
Earnings on Investments	1,788	0	0	0	182	1,970
Extracurricular Activities	0	153,220	0	0	0	153,220
Classroom Material and Fees	0	40,933	0	0	0	40,933
Contributions and Donations	0	20,622	0	0	4,275	24,897
Miscellaneous	21,192	16,817	0	0	0	38,009
<b>Total Cash Receipts</b>	<u>11,776,160</u>	<u>1,726,131</u>	<u>0</u>	<u>107,706</u>	<u>4,457</u>	<u>13,614,454</u>
<b>Cash Disbursements:</b>						
Instruction:						
Regular	6,168,701	362,838	0	0	0	6,531,539
Special	738,595	412,776	0	0	0	1,151,371
Vocational Education	69,961	0	0	0	0	69,961
Adult/Continuing	20,963	0	0	0	11,893	32,856
Other Instruction	2,491	0	0	0	0	2,491
Support Services:						
Pupils	797,845	106,882	0	0	0	904,727
Instructional Staff	478,278	24,523	0	0	0	502,801
Board of Education	43,464	0	0	0	0	43,464
Administration	820,095	157,545	0	8	0	977,648
Fiscal	504,198	39,691	0	1,612	0	545,501
Operations and Maintenance	1,112,634	247,821	0	0	0	1,360,455
Pupil Transportation	773,168	12,219	0	0	0	785,387
Central	139,971	0	0	0	0	139,971
Extracurricular Activities:						
Academic and Subject Oriented	68,937	76,414	0	0	0	145,351
Sports Oriented	289,219	160,932	0	0	0	450,151
Co-Circular Activities	16,230	143	0	0	0	16,373
Facilities Acquisition and Construction Services:						
Building Improvement	719	0	0	86,535	0	87,254
Other Facilities Acquisition & Construction	8,791	0	0	0	0	8,791
Debt Service:						
Principal Retirement	0	0	141,415	0	0	141,415
Interest and Fiscal Charges	0	0	16,722	0	0	16,722
<b>Total Cash Disbursements</b>	<u>12,054,260</u>	<u>1,601,784</u>	<u>158,137</u>	<u>88,155</u>	<u>11,893</u>	<u>13,914,229</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(278,100)	124,347	(158,137)	19,551	(7,436)	(299,775)
<b>Other Financing Source (Uses)</b>						
Sale of Assets	1,142	0	0	0	0	1,142
Transfers - In	0	48,389	158,137	0	0	206,526
Advances-In	14,445	0	0	0	0	14,445
Refund of Prior Year Expenditure	112,334	0	0	0	0	112,334
Transfers - Out	(184,360)	(25,775)	0	0	0	(210,135)
Advances Out	0	(14,445)	0	0	0	(14,445)
<b>Total Other Financing Sources (Uses)</b>	(56,439)	8,169	158,137	0	0	109,867
<b>Excess of Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	(334,539)	132,516	0	19,551	(7,436)	(189,908)
<b>Fund Cash Balances, July 1, 2010</b>	<u>1,032,289</u>	<u>322,365</u>	<u>0</u>	<u>78,514</u>	<u>133,321</u>	<u>1,566,489</u>
<b>Fund Cash Balances, June 30, 2011</b>	<u>\$ 697,750</u>	<u>\$ 454,881</u>	<u>\$ 0</u>	<u>\$ 98,065</u>	<u>\$ 125,885</u>	<u>\$ 1,376,581</u>
<b>Reserves for Encumbrances</b>	<u>\$ 41,700</u>	<u>\$ 58,513</u>	<u>\$ 0</u>	<u>\$ 6,835</u>	<u>\$ 0</u>	<u>\$ 107,048</u>

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

MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2011**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Agency	
<b>OPERATING CASH RECEIPTS:</b>				
Charges for services	\$ 219,194	\$ 1,419,984	\$ 0	\$ 1,639,178
Extracurricular Activities	0	0	77,434	77,434
Classroom Materials and Fees	18,211	1,063	0	19,274
Total Operating Cash Receipts	<u>237,405</u>	<u>1,421,047</u>	<u>77,434</u>	<u>1,735,886</u>
<b>OPERATING CASH DISBURSEMENTS:</b>				
Salaries and Wages	159,178	0	0	159,178
Fringe Benefits	35,420	0	0	35,420
Purchased Services	5,171	1,422,309	0	1,427,480
Material and supplies	192,749	1,168	0	193,917
Other Objects	818	12,704	79,596	93,118
Total Operating Cash Disbursements	<u>393,336</u>	<u>1,436,181</u>	<u>79,596</u>	<u>1,909,113</u>
Operating Income (Loss)	(155,931)	(15,134)	(2,162)	(173,227)
<b>NON-OPERATING CASH RECEIPTS:</b>				
Earnings on Investments	203	15	58	276
Intergovernmental	142,528	0	0	142,528
Miscellaneous	636	11,391	366	12,393
Contributions and Donations	0	0	275	275
Total Non-Operating Cash Receipts	<u>143,367</u>	<u>11,406</u>	<u>699</u>	<u>155,472</u>
Excess Cash Receipts Over/ (Under) Cash Disbursements	(12,564)	(3,728)	(1,463)	(17,755)
Transfers-In	3,608	0	5,118	8,726
Transfers-Out	0	0	(5,118)	(5,118)
Net Cash Receipts Over/(Under) Cash Disbursements	(8,956)	(3,728)	(1,463)	(14,147)
FUND CASH BALANCES, July 1, 2010	<u>22,102</u>	<u>118,252</u>	<u>59,849</u>	<u>200,203</u>
<b>FUND CASH BALANCES, June 30, 2011</b>	<b><u>\$ 13,146</u></b>	<b><u>\$ 114,524</u></b>	<b><u>\$ 58,386</u></b>	<b><u>\$ 186,056</u></b>
RESERVE FOR ENCUMBRANCES	<u>\$ 0</u>	<u>\$ 1,067</u>	<u>\$ 40</u>	<u>\$ 1,107</u>

*The accompanying notes are an integral part of these financial statements.*

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**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.

Average daily membership during 2011 was 1,520. The District employed 126 certificated employees and 100 non-certificated employees during the fiscal year.

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 Village of 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, 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**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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**

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, 2011.

**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:

***Title VIB Fund*** – This fund is used to account for grant money used to assist states in providing an appropriate public education for all students with disabilities.

***State Fiscal Stabilization Fund*** – This fund is to support and restore State funding for elementary, secondary, post-secondary education and as applicable early childhood programs.

**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 notes.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 funds:

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

**Enterprise Funds** – These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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 purpose. The District had the following significant enterprise fund:

*Lunchroom Fund* – This fund is used to account for all revenues and expenses related to the provision of food services for the District’s students and staff.

**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 and prescription benefits provided to the District’s employees.

**Expendable Trust Funds** – This fund is used to account for resources restricted by legally binding trust agreements. The District’s only expendable trust fund is the Special Trust Fund which is used to account for monies held by the District in a trustee capacity for individuals and/or private organizations which benefit the student body or the local community.

**Agency Fund** – This fund is used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and/or other funds.

*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.

**E. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor (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.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Budgeted receipts as shown in Note 3 do not include July 1, 2011 unencumbered fund balances. However, those fund balances are available for appropriations.

**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 2011 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.

**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 date is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**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;
- 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; and
- 7) The State Treasurer's Investment Pool (STAR Ohio);

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2: POOLED CASH AND INVESTMENTS (Continued)**

- 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; and

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, 2011, the carrying amounts of the District’s deposits were \$1,340,442 and the bank balances were \$1,443,282. As of June 30, 2011, \$363,301 of the bank balance was covered by federal depository insurance and \$1,079,981 was uncollateralized and uninsured.

***Investments***

As of June 30, 2011, the District had the following investments and maturity:

	Fair Value	Investment Maturity 6 months or less
Certificate of Deposit	\$ 126,051	\$ 126,051
Money Market Fund	96,144	96,144
 Total	 \$ 222,195	 \$ 222,195

***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%. 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.

***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.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 2: POOLED CASH AND INVESTMENTS (Continued)**

**Concentration of Credit Risk.** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Certificate of Deposit	\$ 126,051	56.73%
Money Market Fund	96,144	43.27%
Total	<u>\$ 222,195</u>	<u>100.00%</u>

**NOTE 3: BUDGETARY ACTIVITY**

Budgetary activity for the year ended June 30, 2011:

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 13,083,417	\$ 11,904,081	\$ (1,179,336)
Special Revenue	1,944,331	1,774,520	(169,811)
Debt Service	158,137	158,137	0
Capital Projects	105,662	107,706	2,044
Enterprise	414,007	384,380	(29,627)
Internal Service	1,463,812	1,432,453	(31,359)
Fiduciary	104,000	87,709	(16,291)
Total	<u>\$ 17,273,366</u>	<u>\$ 15,848,986</u>	<u>\$ (1,424,380)</u>

2011 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 14,100,111	\$ 12,280,320	\$ 1,819,791
Special Revenue	2,118,757	1,686,072	432,685
Debt Service	158,137	158,137	0
Capital Projects	184,175	94,990	89,185
Enterprise	427,013	393,336	33,677
Internal Service	1,551,490	1,437,248	114,242
Fiduciary	296,671	96,647	200,024
Total	<u>\$ 18,836,354</u>	<u>\$ 16,146,750</u>	<u>\$ 2,689,604</u>

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 4: PROPERTY TAXES**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2008; an update will be done in 2011. The next revaluation is scheduled for 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 20; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 20 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2010, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is 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 District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The Summit County Treasurer collects property taxes on behalf of the District. The Summit County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal year ended June 30, 2011 for operations was \$63.32 per \$1,000 of assessed valuation, and permanent improvements, \$0.54 per \$1,000 of assessed valuation.

The Summit County Fiscal Officer collects property tax on behalf of all taxing districts within the county and periodically remits to the taxing districts their portions of the taxes collected.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**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 2011, 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.

**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 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](http://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 District 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 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the health care and Medicare B funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$293,421, \$290,124 and \$205,273, respectively; 100% has been contributed for all fiscal years.

**B. State Teachers Retirement System**

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 stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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.

**B. State Teachers Retirement System (continued)**

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 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, 2011, 2010, and 2009 were \$814,632, \$729,601 and \$752,945, respectively; 100% 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 7: POSTEMPLOYMENT BENEFITS (Continued)**

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 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. 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 for the fiscal years ended June 30, 2011, 2010, and 2009 were \$35,529, \$10,433 and \$93,942, respectively; 100% has been contributed for all fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this 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, 2011, 2010, and 2009 were \$18,882, \$17,253 and \$16,937, respectively; 100% has been contributed for all fiscal years.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State Statute. The Plan is included in the report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://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 Health 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 Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010, and 2009 were \$62,664, \$56,123 and \$57,919, respectively; 100% has been contributed for all fiscal years.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**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	\$ 96,144
Actuarial liabilities	\$ 234,809

**NOTE 9: CONTINGENCIES**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

**NOTE 10: SET-ASIDE REQUIREMENTS**

The District is required by State Statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State Statute.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 10: SET-ASIDE REQUIREMENTS (Continued)**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2010	\$ -	\$ 309,892	\$ 309,892
Current year set-aside requirement	237,632	237,632	475,264
Current year qualifying disbursements	(309,748)	(111,513)	(421,261)
Excess Qualified Expenditures from Prior Years	(81,941)	0	(81,941)
Current Year Offsets	<u>0</u>	<u>(86,094)</u>	<u>(86,094)</u>
 Total	 <u>\$ (154,057)</u>	 <u>\$ 349,917</u>	 <u>\$ 195,860</u>
 Balance carried forward to FY 2012	 <u>\$ -</u>	 <u>\$ 349,917</u>	
 Set-aside Cash Balance as of June 30, 2011	 <u>\$ -</u>	 <u>\$ 349,917</u>	

The District had qualifying disbursements in the current and prior fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, textbook set-aside laws have been repealed. Therefore, the negative amount is not presented as being carried forward to future years.

**NOTE 11: JOINTLY GOVERNED ORGANIZATIONS**

*Northeast Ohio Network for Educational Technology (NEONET)* – NEONET is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Summit and Portage Counties. The primary function of NEONET is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by NEONET include student scheduling, registration, grade reporting and test scoring. Each member district pays an annual fee for the services provided by NEONET. NEONET is governed by a board of directors comprised of each superintendent within the organization. The Summit County Educational Service Center serves as the fiscal agent of the organization and received funding from the State Department of Education. Each school district has one vote in all matters and each member district’s control over budgeting and financing of NEONET is limited to its voting authority and any representative it may have on the Board of Directors. The continued existence of NEONET is not dependent on the District’s continued participation and no equity interest exists.

*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.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 11: JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Interval Opportunity School** – The Interval Opportunity School (the “School”) is a jointly governed organization made up of six area public school districts. The function of the School is to provide “at risk students” with possibly a last and 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 Coventry Local School District 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.

**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 2011 were as follows:

	<u>Outstanding 7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2011</u>
Energy Conservation Notes:				
2001 Energy Conservation Chiller Note (4.99%)	\$ 35,967	\$ 0	\$ (17,545)	\$ 18,422
2002 Energy Conservation Note (5.54%)	<u>117,276</u>	<u>0</u>	<u>(57,036)</u>	<u>60,240</u>
Total Notes Payable	<u>153,243</u>	<u>0</u>	<u>(74,581)</u>	<u>78,662</u>
Lease Obligation	<u>185,778</u>	<u>0</u>	<u>(66,834)</u>	<u>118,944</u>
Total Long-Term Debt	<u>\$ 339,021</u>	<u>\$ 0</u>	<u>\$ (141,415)</u>	<u>\$ 197,606</u>

On April 17, 2001 the District issued a \$150,000 note for the purpose of purchasing an energy conservation chiller. On February 15, 2002 the District issued a \$485,444 energy conservation note for the purpose of building energy conservation improvements. The notes are being retired from the Bond Retirement debt service fund.

**Manchester Local School District**  
**Summit County**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 13: LONG TERM DEBT (Continued)**

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2011, were as follows:

Fiscal Year Ending June 30,	Energy Conservation Chiller Note		Energy Conservation Note		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 18,422	\$ 876	\$ 60,240	\$ 3,384	\$ 78,662	\$ 4,260

**NOTE 14: LEASES**

The District leases buses under noncancelable leases. The District disbursed \$66,834 to pay lease costs for the year ended June 30, 2011. Future lease payments are as follows:

Year	Amount
2012	\$ 65,140
2013	44,395
2014	11,729
2015	5,866
Total Principal and Interest	127,130
Less amount representing interest	8,186
Total Principal	<u>\$ 118,944</u>

**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**

January 30, 2012

Manchester Local School District  
6075 Manchester Road  
Akron, Ohio 44319

To the Board of Education:

We have audited the financial statements of Manchester Local School District (the "District") as of and for the year ended June 30, 2011, and have issued our report thereon dated January 30, 2012, with an adverse opinion on the District's accompanying financial statements because they do not present fairly the financial position, results of operations, and cash flows, where applicable, in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of District's internal control over financial reporting.

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 a 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and as item 2011-001.

We noted certain matters that we reported to management of the District in a separate letter dated January 30, 2012.

Manchester Local School District  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters In Accordance with Government Auditing Standards  
January 30, 2012  
Page 2

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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

*Rea & Associates, Inc.*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

January 30, 2012

Manchester Local School District  
6075 Manchester Road  
Akron, Ohio 44319

To the Board of Education:

Compliance

We have audited the compliance of Manchester Local School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Responses*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Manchester Local School District  
Independent Auditor's Report on Compliance with  
Requirements That Could Have a Direct and material Effect  
on Each Major Federal Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
January 30, 2012  
Page 2

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Rea & Associates, Inc.*

**MANCHESTER LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education</b>					
(Passed Through Ohio Department of Education):					
<i>Title I Cluster</i>					
Title I	84.010	2009	\$ 0	\$ 482	\$ 0
		2010	20,707	23,102	0
		2011	151,634	133,265	0
Title I: ARRA	84.389	2010	38,331	25,798	0
Total Title I Cluster			210,672	182,647	0
<i>Special Education Cluster</i>					
IDEA-B	84.027	2010	21,518	20,526	0
		2011	265,133	225,782	0
IDEA-B: ARRA	84.391	2010	216,962	226,963	0
Total Special Education Cluster			503,613	473,271	0
Safe and Drug-Free Schools and Communities	84.186	2010	878	1,409	0
		2010	0	0	0
Total Safe and Drug-Free Schools and Communities			878	1,409	0
Title II-D	84.318	2010	298	1,275	0
		2011	521	521	0
Total Title II-D			819	1,796	0
Title II-A	84.367	2010	1,598	3,434	0
		2011	35,149	35,149	0
Total Title II-A			36,747	38,583	0
State Fiscal Stabilization Fund: ARRA	84.394	2010	0	160,328	0
		2011	407,020	208,027	0
Total State Fiscal Stabilization Fund: ARRA			407,020	368,355	0
Race to the Top	84.395	2011	23,932	22,715	0
Education Jobs	84.410	2011	12,854	0	0
Total U.S. Department of Education			1,196,535	1,088,776	0
<b>U. S. Department of Agriculture</b>					
(Passed Through Ohio Department of Education):					
Non-Cash Assistance:					
National School Lunch Program	(A)	10.555	2010	22,593	0
Cash Assistance:					22,593
National School Lunch Program	(B)	10.555	2010	140,810	0
Total National School Lunch Program				163,403	22,593
Total U.S. Department of Agriculture			163,403	140,810	22,593
Total Federal Assistance			\$ 1,359,938	\$ 1,229,586	\$ 22,593

- (A) Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of commodities received and disbursed.
- (B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

A-133 Ref.  
.505(d)

(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)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS) which are not considered to be material?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster  State Fiscal Stabilization Fund	CFDA # 84.027 & 84.391 (ARRA) CFDA# 84.394 (ARRA)
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Material Non-Compliance**

<b>Finding Number</b>	<b>2011-001</b>
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**Criteria:** Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code 117.38

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

GASB Statement 34, "Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments" requires the District’s basic financial statements and required supplementary information (RSI) consist of the following:

- Management’s Discussion and Analysis – Providing management’s analytical overview of the District’s financial activities.
- Basic Financial Statements – The basic financial statements will consist of Government-wide financial statements, which will include a statement of net assets and a statement of activities, prepared on the economic resources measurement focus and the accrual basis of accounting. These statements will report all assets, liabilities, revenues, expenses, and gains and losses of the District. The basic financial statements also will consist of the more familiar fund financial statements, but they will focus on the District’s “Major” funds as defined in the Statement.
- Required Supplementary Information – Budgetary comparison schedules and certain “modified approach” infrastructure information

**Condition:** The District did not prepare its financial statements in accordance with Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B).

**Cause:** For fiscal year 2011, the District prepared its financial statements 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 notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

**Effect:** 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.

**Recommendation:** We recommend the District review the new standards and ensure preparation of its financial statements in accordance with AICPA’s *Audit and Accounting Guide Audits of State and Local Governments (GASB 34 edition)*. We also recommend the District prepare its financial statements in accordance with Ohio Administrative Code and Ohio Revised Code.

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>	
<b>NONE</b>	

**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	Employees paid wrong amount for FY10.	Yes	
2010-002	Employee contribution checks for health insurance kept until a listing of claims are paid.	Yes	
2010-003	Tax advance was erroneously posted to incorrect fund.	Yes	
2010-004	<p><b>Ohio Rev. Code Section 117.38,</b> Filing of the Financial Report</p> <p><b>Ohio Admin. Code Section 117-2-03(B),</b> Prepare Annual Financial Report in Accordance with Generally Accepted Accounting Principles</p>	No	Refer to Finding 2011-001

**Independent Accountant's Report on Applying Agreed-Upon Procedure**

January 30, 2012

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Manchester Local School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

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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  
APRIL 12, 2012**