



Dave Yost • Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	17
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....	19
Statement of Fiduciary Fund Net Position Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position Fiduciary Fund.....	21
Notes to the Basic Financial Statements	23
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability (School Employees Retirement System of Ohio).....	57
Schedule of the School District's Proportionate Share of the Net Pension Liability (State Teachers Retirement System of Ohio).....	58
Schedule of the School District Contributions (School Employees Retirement System of Ohio)	59
Schedule of the School District Contributions (State Teachers Retirement System of Ohio).....	60
Notes to Required Supplementary Information	61

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of Expenditures of Federal Awards.....	63
Notes to the Schedule of Expenditures of Federal Awards	64
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	65
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	67
Schedule of Findings	69



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Manchester Local School District
Adams County
130 Wayne Frye Drive
Manchester, Ohio 45144

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Districts 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 such 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 the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Manchester Local School District, Adams County, Ohio, as of June 30, 2017, and the respective changes in financial position, and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic 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 basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018, 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 "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

February 21, 2018

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

As management of the Manchester Local School District, we offer readers of the Manchester Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

The Manchester Local School District was organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The School District was created by the South Central Ohio Educational Service Center on January 13, 2004. Formerly, the Manchester Local School District territory was a part of the Adams County/Ohio Valley School District. The State Department of Education granted the School District Board of Education a school district charter on April 13, 2004 and the School District started formal operations on July 1, 2004.

Financial Highlights

The liabilities and deferred inflows of resources of the School District exceeded its assets and deferred outflows of resources at June 30, 2017 by \$1,174,424. The decrease is mainly the result of the decrease in Personal Property Public Utility Assessed Valuation of the power plants.

General revenues accounted for \$10,530,199, or 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest accounted for \$3,735,906, or 26 percent of total revenues of \$14,266,105.

The School District had \$15,440,529 in expenses; approximately 24 percent of these expenses were offset by program specific charges for services and sales, and operating grants, contributions and interest. General revenues (primarily grants and entitlements and property taxes) of \$10,530,199 were not adequate to provide for the remaining cost of these programs. The School District added two positions at the start of fiscal year 2017 and gave a two and a half percent salary increase which contributed to an increase in expenditures.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, or an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column.

Reporting the Manchester Local School District as a Whole

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during fiscal year 2017. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

These two statements report net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Some factors may be financial while others such as mandated educational programs are non-financial factors.

All of the School District's programs and services provided are reported as governmental activities. These activities include instruction, support services and non-instructional services.

Reporting the Manchester Local School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds which are the General Fund, the Debt Service Fund, the Permanent Improvement and the Construction Capital Project Funds.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds - The School District's fiduciary funds are a private purpose trust fund and an agency fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's Net Position for fiscal years 2017 and 2016:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

(Table 1)
Net Position

	Governmental Activities		
	2017	2016	Change
Assets			
Current and Other Assets	\$16,321,819	\$20,517,393	(\$4,195,574)
Capital Assets, Net	32,002,270	30,588,098	1,414,172
Total Assets	<u>48,324,089</u>	<u>51,105,491</u>	<u>(2,781,402)</u>
Deferred Outflows of Resources			
Pension	<u>3,601,630</u>	<u>1,820,144</u>	<u>1,781,486</u>
Liabilities			
Current and Other Liabilities	1,247,903	1,466,866	(218,963)
Long-Term Liabilities:			
Due Within One Year	1,305,439	880,831	424,608
Due In More Than One Year:			
Net Pension Liability	17,535,560	14,146,168	3,389,392
Other Amounts	<u>6,790,289</u>	<u>8,013,056</u>	<u>(1,222,767)</u>
Total Liabilities	<u>26,879,191</u>	<u>24,506,921</u>	<u>2,372,270</u>
Deferred Inflow of Resources			
Property Taxes	5,961,167	7,241,541	(1,280,374)
Pension	0	917,388	(917,388)
Total Deferred Inflow Of Resources	<u>5,961,167</u>	<u>8,158,929</u>	<u>(2,197,762)</u>
Net Position			
Net Investment In Capital Assets	24,851,464	22,347,833	2,503,631
Restricted	2,068,441	2,203,799	(135,358)
Unrestricted (Deficit)	<u>(7,834,544)</u>	<u>(4,291,847)</u>	<u>(3,542,697)</u>
Total Net Position	<u>\$19,085,361</u>	<u>\$20,259,785</u>	<u>(\$1,174,424)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Total assets decreased \$2,781,402. Equity in Pooled Cash and Cash Equivalents decreased \$1,483,632 mainly due to the devaluation of property taxes and a reduction in local tax revenue. Capital Assets, Net increased \$1,414,172 due to the addition of athletic fields, stadium bleachers, parking lots, and vehicles. Property Taxes Receivable decreased \$2,598,811 due to the decrease of public utility personal property assessed valuation.

Total liabilities increased \$2,372,270. Accrued Wages and Benefits Payable increased \$47,608 due to increased personnel costs. Contracts Payable decreased \$204,309 due to the completion of the athletic facilities and the parking lot additions. Long-term Liabilities Due Within One Year increase \$424,608 due to the amount of debt payable next fiscal year in comparison to this fiscal year. Net Pension Liability increased \$3,389,392 due to GASB 68 reporting.

Total Net Position decreased \$1,174,424. Unrestricted Net Position decreased \$3,542,697, primarily due to the decrease in property taxes receivable and the increase in the net pension liability. The value of Net Investments in Capital Assets increased \$2,503,631 due to asset additions exceeding current year deletions and depreciation. Restricted Net Position decreased \$135,358, which is insignificant.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Table 2 shows the changes in Net Position for fiscal years 2017 and 2016.

(Table 2)
Change in Net Position

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$1,267,491	\$975,566	29.92%
Operating Grants, Contributions and Interest	2,468,415	3,391,251	-27.21%
Total Program Revenues	<u>3,735,906</u>	<u>4,366,817</u>	-14.45%
General Revenues:			
Property Taxes	6,799,211	10,165,681	-33.12%
Grants and Entitlements not Restricted to Specific Programs	3,641,254	3,418,815	6.51%
Investment Earnings	46,879	86,672	-45.91%
Miscellaneous	42,855	65,909	-34.98%
Total General Revenues	<u>10,530,199</u>	<u>13,737,077</u>	-23.34%
Total Revenues	<u>14,266,105</u>	<u>18,103,894</u>	-21.20%
Program Expenses:			
Instruction:			
Regular	5,602,898	4,857,256	15.35%
Special	2,575,277	2,423,194	6.28%
Vocational	683,245	679,279	0.58%
Student Intervention Services	132,589	169,551	-21.80%
Support Services:			
Pupils	557,716	577,765	-3.47%
Instructional Staff	515,642	477,516	7.98%
Board of Education	48,336	34,461	40.26%
Administration	924,029	725,093	27.44%
Fiscal	525,715	556,081	-5.46%
Operation and Maintenance of Plant	1,116,706	1,149,264	-2.83%
Pupil Transportation	593,583	896,574	-33.79%
Central	42,981	40,078	7.24%
Operation of Non-Instructional Services:			
Food Services	640,140	637,480	0.42%
Community Services	401,991	413,416	-2.76%
Extracurricular Activities	491,984	352,700	39.49%
Interest and Fiscal Charges	587,697	410,375	43.21%
Total Expenses	<u>15,440,529</u>	<u>14,400,083</u>	7.23%
Change in Net Position	(1,174,424)	3,703,811	-131.71%
Net Position at Beginning of Year	<u>20,259,785</u>	<u>16,555,974</u>	
Net Position at End of Year	<u>\$19,085,361</u>	<u>\$20,259,785</u>	

The School District experienced an increase in Charges for Services and Sales mainly due to an increase in student enrollment and pre-school payments. The School District saw a decrease in Operating Grants and Contributions; this was primarily due to a decrease in community disadvantage aid. The School District community, as a whole, was not eligible to receive the disadvantage aid for free lunch. Also, there was a decrease in Medicaid reimbursements that was primarily due to receiving two years of reimbursements during fiscal year 2016 and only receiving one year during fiscal year 2017.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and property taxes.

(Table 3)

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2017	2016	2017	2016
Instruction	\$8,994,009	\$8,129,280	\$6,787,220	\$5,439,281
Support Services	4,324,708	4,456,832	3,721,870	3,898,836
Operation of				
Non-Instructional Services	1,042,131	1,050,896	196,232	42,719
Extracurricular Activities	491,984	352,700	411,604	242,055
Interest and Fiscal Charges	587,697	410,375	587,697	410,375
Total Expenses	<u>\$15,440,529</u>	<u>\$14,400,083</u>	<u>\$11,704,623</u>	<u>\$10,033,266</u>

The School District's Funds

Information about the School District's major funds starts on page 17. The School District's funds are accounted for using the modified accrual basis of accounting. All funds had total revenues of \$14,303,923 and expenditures of \$17,022,187.

The General Fund saw a decrease in fund balance of \$1,493,488. This decrease was mainly due to a decrease of Property Taxes in relation to the devaluation of the power plant. The Debt Service Fund saw a fund balance decrease of \$133,576 due to the decrease in tax collections. The Permanent Improvement Capital Projects balance ended the year with a positive fund balance of \$2,713,561 due to no major repairs. The Construction Fund saw a decrease \$1,188,854 mainly related to the completion of the stadium bleachers, athletic fields, and parking lots.

General Fund - Budget Highlights

The School District's budget is prepared according to the requirements of the State Department of Education, and is based on cash receipts, disbursements and encumbrances. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated cash balance was \$173,144 more than the final budgeted amount for the General Fund. Actual revenues were \$4,726 less than final budgeted revenues. Final budgeted expenditures were \$179,675 more than actual expenditures. This increase was due to adding two positions at the start of the fiscal year, giving a two and a half percent salary increase, and hospitalization increasing eight percent compared to the prior fiscal year. Original budgeted revenues were \$594,659 more than final budgeted revenues due primary to decreases in property taxes and miscellaneous. Original budgeted appropriations were \$741,370 more than final budgeted expenditures. Due to the devaluation in property taxes which resulted in the School District receiving less revenue during the fiscal year, the School District monitored and adjusted expenditures accordingly. These differences represent cyclical changes that occur throughout the year and are not known at the time the original budgets are prepared.

Capital Assets

At the end of fiscal year 2017 the School District had \$32,002,270 in net capital assets.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

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

	Governmental Activities	
	2017	2016
Land	\$754,455	\$754,455
Construction in Process	42,041	331,279
Land Improvements	3,972,890	2,253,976
Buildings and Improvements	25,316,916	25,449,915
Furniture, Fixtures and Equipment	1,480,978	1,500,999
Vehicles	434,990	297,474
Totals	\$32,002,270	\$30,588,098

For more information on capital assets, see Note 10 to the basic financial statements.

Debt

At June 30, 2017, the School District had \$7,508,046 in bonds and notes outstanding, with \$1,250,000 due within one year. Table 5 summarizes bonds outstanding:

(Table 5)
Outstanding Debt, at Fiscal Year-End

	2017	2016
General Obligation Bonds:		
2012 Refunding Bonds	\$7,163,046	\$7,968,429
2011 Energy Conservation Notes	345,000	375,000
Totals	\$7,508,046	\$8,343,429

The School District's overall legal debt margin was \$18,501,119 with an unvoted debt margin of \$263,635 and an Energy Conservation debt margin of \$2,027,714 at June 30, 2017.

For more information on debt, refer to Note 15 in the basic financial statements.

Discretely Presented Component Unit

The Manchester Educational Foundation ("Foundation") was created by resolution of the Board of Education and organized as a non-profit corporation under Internal Revenue Code Section 501(c)(3). The purpose of the organization is to advance educational and charitable purposes by raising funds for the benefit of the students and residents of the Manchester Local School District. The Foundation is a component unit of the Manchester Local School District.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Current Issues

Decrease in Personal Property Public Utility Assessed Valuation

In November, 2016, the School District was notified by the County Auditor that, due to the sale of Duke's holding in the electric power plants to Dynegy, the sale resulted in a \$59 million reduction in the personal property public utility assessed valuation. This resulted in an unexpected decrease of over \$750,000 in lost tax revenue for the remaining 2016-17 school year.

The electric generation plants have two additional partners, Dayton Power & Light/AES and American Electric Power. Both partners have been preliminarily approved devaluation of the plants for tax year 2017 resulting in an \$83 million reduction in the assessed valuation and an additional tax revenue loss of \$1.2 million in the 2017-18 school year in addition to the \$1.5 million loss from tax year 2016 totaling a tax revenue loss of \$2.7 million.

Dayton Power & Light/AES is proposing to the Ohio Public Utility Commission to shut both plants down in June, 2018. The crisis the School District will experience by 2020 is local tax revenues decreasing \$6,690,000 from fiscal year 2015 to fiscal year 2020.

Language was added to HB 49 to allow school districts with electric power plants being devalued to gain State foundation revenues to help offset the personal property public utility (PPPU) tax revenue losses. Qualifying affected school districts will have the revenue growth caps and the three year assessed valuation average lifted to allow the growth of the State foundation program due to the assessed valuation decreases. HB 49 also allows for the State foundation re-computation at the end of the school year under ORC 3317.028 to help offset any PPPU tax revenue loss not covered under the growth of the State foundation program.

As a result of these changes, fiscal year 2017-18 will show a drastic change in general fund revenues with the decrease of local tax revenues and the increase state foundation funding.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Karen Ballengee, Treasurer, Manchester Local School District, 130 Wayne Frye Drive, Manchester, Ohio, 45144.

Manchester Local School District

Statement of Net Position

June 30, 2017

	Primary Government <u>Governmental</u> <u>Activities</u>	Component <u>Unit</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,481,429	\$5,275
Prepaid Items	31,477	0
Inventory Held for Resale	12,758	0
Materials and Supplies Inventory	26,945	0
Intergovernmental Receivable	266,493	0
Property Taxes Receivable	6,494,763	0
Accrued Interest Receivable	7,333	0
Accounts Receivable	621	0
Capital Assets:		
Land and Construction in Progress	796,496	0
Depreciable Capital Assets, Net	<u>31,205,774</u>	<u>0</u>
Total Assets	<u>48,324,089</u>	<u>5,275</u>
Deferred Outflows of Resources		
Pension	<u>3,601,630</u>	<u>0</u>
Liabilities		
Accounts Payable	72,102	0
Accrued Wages and Benefits Payable	927,004	0
Contracts Payable	27,294	0
Intergovernmental Payable	198,111	0
Due to Students	2,067	0
Accrued Interest Payable	21,325	0
Long-Term Liabilities:		
Due Within One Year	1,305,439	0
Due in More Than One Year:		
Net Pension Liability (See Note 12)	17,535,560	0
Other Amounts Due in More Than One Year	<u>6,790,289</u>	<u>0</u>
Total Liabilities	<u>26,879,191</u>	<u>0</u>
Deferred Inflows of Resources		
Property Taxes	<u>5,961,167</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	24,851,464	0
Restricted for:		
Debt Service	1,833,153	0
Other Purposes	235,288	0
Unrestricted (Deficit)	<u>(7,834,544)</u>	<u>5,275</u>
Total Net Position	<u><u>\$19,085,361</u></u>	<u><u>\$5,275</u></u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$5,602,898	\$786,575	\$270,831	(\$4,545,492)	\$0
Special	2,575,277	227,505	824,197	(1,523,575)	0
Vocational	683,245	0	9,168	(674,077)	0
Student Intervention Services	132,589	0	88,513	(44,076)	0
Support Services:					
Pupils	557,716	0	0	(557,716)	0
Instructional Staff	515,642	0	40,396	(475,246)	0
Board of Education	48,336	0	0	(48,336)	0
Administration	924,029	0	0	(924,029)	0
Fiscal	525,715	0	2,890	(522,825)	0
Operation and Maintenance of Plant	1,116,706	6,870	0	(1,109,836)	0
Pupil Transportation	593,583	0	552,682	(40,901)	0
Central	42,981	0	0	(42,981)	0
Operation of Non-Instructional Services:					
Food Services	640,140	110,544	468,650	(60,946)	0
Community Services	401,991	58,140	208,565	(135,286)	0
Extracurricular Activities	491,984	77,857	2,523	(411,604)	0
Interest and Fiscal Charges	587,697	0	0	(587,697)	0
Total Governmental Activities	\$15,440,529	\$1,267,491	\$2,468,415	(11,704,623)	0
Component Unit:					
Manchester Educational Foundation	\$11,128	\$0	\$5,156	0	(5,972)
General Revenues:					
Property Taxes Levied for:					
General Purposes				5,854,065	0
Debt Service				945,146	0
Grants and Entitlements not					
Restricted to Specific Programs				3,641,254	0
Investment Earnings				46,879	0
Miscellaneous				42,855	0
Total General Revenues				10,530,199	0
Change in Net Position				(1,174,424)	(5,972)
Net Position Beginning of Year				20,259,785	11,247
Net Position End of Year				\$19,085,361	\$5,275

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District

Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Permanent Improvement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$4,633,426	\$1,771,107	\$2,736,223	\$1,883	\$338,790	\$9,481,429
Receivables:						
Property Taxes	5,419,333	1,075,430	0	0	0	6,494,763
Intergovernmental	71,818	0	0	0	194,675	266,493
Interfund	149,741	0	0	0	0	149,741
Accrued Interest	5,348	0	1,845	0	140	7,333
Accounts	0	0	0	0	621	621
Inventory Held for Resale	0	0	0	0	12,758	12,758
Prepaid Items	29,139	0	0	108	2,230	31,477
Materials and Supplies Inventory	24,564	0	0	0	2,381	26,945
Total Assets	\$10,333,369	\$2,846,537	\$2,738,068	\$1,991	\$551,595	\$16,471,560
Liabilities						
Accounts Payable	\$43,159	\$0	\$0	\$0	\$28,943	\$72,102
Accrued Wages and Benefits Payable	806,284	0	0	0	120,720	927,004
Interfund Payable	0	0	0	0	149,741	149,741
Intergovernmental Payable	174,633	0	0	0	23,478	198,111
Contracts Payable	0	0	22,825	0	4,469	27,294
Due to Students	0	0	0	0	2,067	2,067
Total Liabilities	1,024,076	0	22,825	0	329,418	1,376,319
Deferred Inflows of Resources						
Property Taxes	4,969,108	992,059	0	0	0	5,961,167
Unavailable Revenue	234,465	40,430	1,682	0	24,414	300,991
Total Deferred Inflows of Resources	5,203,573	1,032,489	1,682	0	24,414	6,262,158
Fund Balances (Deficit)						
Nonspendable	53,703	0	0	108	4,611	58,422
Restricted	0	1,814,048	0	0	231,894	2,045,942
Assigned	411,281	0	2,713,561	1,883	24,672	3,151,397
Unassigned (Deficit)	3,640,736	0	0	0	(63,414)	3,577,322
Total Fund Balances	4,105,720	1,814,048	2,713,561	1,991	197,763	8,833,083
Total Liabilities and Fund Balances	\$10,333,369	\$2,846,537	\$2,738,068	\$1,991	\$551,595	\$16,471,560

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balances		\$8,833,083
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land and Construction in Progress	796,496	
Capital assets	42,533,010	
Accumulated depreciation	<u>(11,327,236)</u>	
Total capital assets		32,002,270
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	259,763	
Intergovernmental	34,544	
Interest	<u>6,684</u>	
Total		300,991
 In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(21,325)
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds		
Deferred Outflows - Pension	3,601,630	
Net Pension Liability	<u>(17,535,560)</u>	
Total		(13,933,930)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(7,163,046)	
Notes payable	(345,000)	
Compensated absences payable	<u>(587,682)</u>	
Total		<u>(8,095,728)</u>
Net Position of Governmental Activities		<u><u>\$19,085,361</u></u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Debt Service	Permanent Improvement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$5,865,853	\$947,169	\$0	\$0	\$0	\$6,813,022
Intergovernmental	4,137,601	442,295	0	0	1,543,370	6,123,266
Investment Earnings	38,424	0	14,799	(3,407)	1,105	50,921
Tuition and Fees	1,014,080	0	0	0	0	1,014,080
Extracurricular Activities	0	0	0	0	77,857	77,857
Customer Services	6,305	0	0	0	166,886	173,191
Rent	565	0	0	0	1,798	2,363
Gifts and Donations	0	0	0	0	9,973	9,973
Miscellaneous	15,434	0	0	0	23,816	39,250
Total Revenues	11,078,262	1,389,464	14,799	(3,407)	1,824,805	14,303,923
Expenditures:						
Current:						
Instruction:						
Regular	4,834,893	0	0	0	77,354	4,912,247
Special	1,810,344	0	0	0	569,715	2,380,059
Vocational	671,076	0	0	0	0	671,076
Student Intervention Services	5,516	0	0	0	124,856	130,372
Support Services:						
Pupils	493,003	0	0	0	0	493,003
Instructional Staff	399,233	0	0	0	57,346	456,579
Board of Education	47,554	0	0	0	0	47,554
Administration	786,337	0	0	0	33,600	819,937
Fiscal	451,021	36,510	0	0	11,786	499,317
Operation and Maintenance of Plant	1,060,741	0	0	0	0	1,060,741
Pupil Transportation	625,989	0	0	0	17,785	643,774
Central	37,024	0	0	0	0	37,024
Operation of Non-Instructional Services:						
Food Services	0	0	0	0	585,482	585,482
Community Services	100,239	0	0	0	290,772	391,011
Extracurricular Activities	198,797	0	0	0	87,503	286,300
Capital Outlay	4,738	0	30,996	2,085,447	0	2,121,181
Debt Service:						
Principal	0	849,936	0	0	0	849,936
Interest and Fiscal Charges	0	636,594	0	0	0	636,594
Total Expenditures	11,526,505	1,523,040	30,996	2,085,447	1,856,199	17,022,187
Excess of Revenue Under Expenditures	(448,243)	(133,576)	(16,197)	(2,088,854)	(31,394)	(2,718,264)
Other Financing Sources (Uses):						
Transfers In	0	0	145,245	900,000	0	1,045,245
Transfers Out	(1,045,245)	0	0	0	0	(1,045,245)
Total Other Financing Sources (Uses)	(1,045,245)	0	145,245	900,000	0	0
Net Change in Fund Balances	(1,493,488)	(133,576)	129,048	(1,188,854)	(31,394)	(2,718,264)
Fund Balances Beginning of Year	5,599,208	1,947,624	2,584,513	1,190,845	229,157	11,551,347
Fund Balances End of Year	\$4,105,720	\$1,814,048	\$2,713,561	\$1,991	\$197,763	\$8,833,083

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds (\$2,718,264)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	2,457,918	
Depreciation expense	<u>(1,005,548)</u>	
Excess of capital outlay over depreciation expense		1,452,370

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital assets account in the statement of net position and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

Loss on Disposal of Capital Assets		(38,198)
------------------------------------	--	----------

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent Property Taxes	(13,811)	
Intergovernmental	(24,636)	
Interest	<u>(2,976)</u>	
Total		(41,423)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.

Amortization of bond premium	30,745	
Accretion on capital appreciation bonds	(45,298)	
Decrease in accrued interest	<u>63,450</u>	
Total		48,897

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 867,882

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,558,400)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, this amount consisted of:

Bond principal retirement	819,936	
Note principal retirement	<u>30,000</u>	
Total		849,936

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Compensated Absences		<u>(37,224)</u>
----------------------------------	--	-----------------

Change in Net Position of Governmental Activities (\$1,174,424)

Manchester Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$7,750,000	\$7,003,532	\$7,003,532	\$0
Intergovernmental	4,305,010	4,287,693	4,287,693	0
Investment Earnings	33,740	68,014	53,775	(14,239)
Tuition and Fees	777,620	961,390	961,390	0
Customer Services	4,440	6,305	6,305	0
Rent	1,086	565	565	0
Miscellaneous	61,273	11,011	20,524	9,513
Total Revenues	12,933,169	12,338,510	12,333,784	(4,726)
Expenditures:				
Current:				
Instruction:				
Regular	4,925,581	4,799,977	4,752,249	47,728
Special	1,816,529	1,834,734	1,808,090	26,644
Vocational	626,075	770,911	770,070	841
Student Intervention Services	5,113	5,115	4,059	1,056
Support Services:				
Pupils	536,386	516,027	503,617	12,410
Instructional Staff	420,888	415,943	411,270	4,673
Board of Education	37,646	58,027	56,701	1,326
Administration	712,166	797,554	790,911	6,643
Fiscal	502,637	467,559	464,023	3,536
Operation and Maintenance of Plant	1,246,721	1,179,696	1,160,837	18,859
Pupil Transportation	882,846	836,130	802,743	33,387
Central	51,050	40,656	38,549	2,107
Operation of Non-Instructional Services:				
Food Service Operations	0	71	71	0
Community Services	104,655	94,361	92,732	1,629
Extracurricular Activities:				
Academic Oriented Activities	33,813	33,715	28,235	5,480
Sport Oriented Activities	223,255	193,797	181,618	12,179
Capital Outlay:				
Site Improvement Services	0	4,500	4,031	469
Building Improvement Services	701,489	36,707	35,999	708
Total Expenditures	12,826,850	12,085,480	11,905,805	179,675
Excess of Revenues Over Expenditures	106,319	253,030	427,979	174,949
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	200	368	368	0
Transfers In	13,100	14,905	0	14,905
Transfers Out	(1,736,900)	(1,058,345)	(1,045,245)	(13,100)
Advance In	79,180	79,180	79,180	0
Advance Out	(10,000)	(149,741)	(149,741)	0
Total Other Financing Sources (Uses)	(1,654,420)	(1,113,633)	(1,115,438)	1,805
Net Change in Fund Balances	(1,548,101)	(860,603)	(687,459)	173,144
Fund Balance at Beginning of Year	4,800,771	4,800,771	4,800,771	0
Prior Year Encumbrances Appropriated	297,786	297,786	297,786	0
Fund Balance at End of Year	\$3,550,456	\$4,237,954	\$4,411,098	\$173,144

See accompanying notes to the basic financial statements

Manchester Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$120,774	\$40,311
Liabilities		
Undistributed Monies	0	\$40,311
Net Position		
Held in Trust for Scholarships	\$120,774	

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$3,000
Investment Earnings	444
Total Additions	3,444
Deductions:	
Payments in Accordance with Trust Agreements	4,139
Change in Net Position	(695)
Net Position Beginning of Year	121,469
Net Position End of Year	\$120,774

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Manchester Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The Manchester Local School District was established in 2004 through the deconsolidation of existing land areas in the Adams County/Ohio Valley School District. The School District serves an area of approximately 115 square miles. It is located in Adams County, and includes the Villages of Manchester and Rome, all of Manchester and Sprigg Townships and portions of Green and Monroe Townships. The School District is staffed by 39 non-certificated employees, 66 certificated teaching personnel and eight administrative employees who provide services to 933 students and other community members. The School District currently operates two instructional buildings, a bus garage, an athletic facility building and athletic fields.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District.

The component unit column in the combined financial statements identifies the financial data of the School District's component unit, the Manchester Educational Foundation. It is discretely reported in a separate column to emphasize that it is legally separate from the School District.

The Manchester Educational Foundation ("Foundation") was created by resolution of the Board of Education and organized as a non-profit corporation under Internal Revenue Code Section 501(c)(3). The purpose of the organization is to advance educational and charitable purposes by raising funds for the benefit of the students and residents of the Manchester Local School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District participates in one jointly governed organization and two insurance purchasing pools. These organizations are:

- South Central Ohio Computer Association Regional Council of Governments
- Schools of Ohio Risk Sharing Authority, Inc.
- Ohio SchoolComp Workers' Compensation Group Rating Plan

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These organizations are presented in Notes 18 and 19 of the basic financial statements.

The financial statements of the Manchester Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District fall within two categories: governmental and fiduciary.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The Debt Service Fund is used to account for and report the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and certain other long-term obligations when the School District is obligated for the payment.

Permanent Improvement Fund - The Permanent Improvement Capital Projects Fund is used to account for and report monies which have been assigned by the Board of Education to be used for acquiring, constructing, or improving School District facilities.

Construction Fund - The Construction Capital Projects Fund is used to account for and report all debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of the new and remodeled classroom facilities.

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants and entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows / Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statement of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2017, the School District's investments were limited to STAROhio, non-negotiable certificates of deposits, and a Money Market Mutual Fund. Investments, other than STAR Ohio, are reported at fair value which is based on quoted market prices.

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$38,424, which includes \$13,589 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable". Interfund balances are eliminated in the Statement of Net Position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the fiscal year in which services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased and donated food held for resale and consumable supplies.

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 30 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and energy conservation notes that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School 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 the Board of Education. The Treasurer has been given authority to assign amounts for these purposes by the School District Board of Education. The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2017 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.

The School 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Premiums and Accretion on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds/capital lease using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - ACCOUNTABILITY

At June 30, 2017, the IDEA Part B, Title I and the Miscellaneous Federal Grants Special Revenue Funds had deficit fund balances of \$13,184, \$21,206 and \$27,680, respectively. The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	(\$1,493,488)
Adjustments:	
Revenue Accruals	1,240,529
Expenditure Accruals	(161,419)
Encumbrances	(217,881)
Advances	(70,561)
Change in Fair Value of Investments FY 2016	19,808
Change in Fair Value of Investments FY 2017	(4,447)
Budget Basis	(\$687,459)

NOTE 5 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Permanent Improvement	Construction Funds	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$29,139	\$0	\$0	\$108	\$2,230	\$31,477
Inventory	24,564	0	0	0	2,381	26,945
<i>Total Nonspendable</i>	53,703	0	0	108	4,611	58,422
<i>Restricted for</i>						
Debt Payment	0	1,814,048	0	0	0	1,814,048
Food Service Operations	0	0	0	0	194,505	194,505
Recreation	0	0	0	0	19,330	19,330
Miscellaneous Grants	0	0	0	0	6,573	6,573
District Managed Activity	0	0	0	0	11,486	11,486
<i>Total Restricted</i>	0	1,814,048	0	0	231,894	2,045,942
<i>Assigned to</i>						
Future Appropriations	237,380	0	0	0	0	237,380
Capital Improvements	0	0	2,713,561	1,883	0	2,715,444
Other Purposes	173,901	0	0	0	24,672	198,573
<i>Total Assigned</i>	411,281	0	2,713,561	1,883	24,672	3,151,397
<i>Unassigned (Deficit)</i>	3,640,736	0	0	0	(63,414)	3,577,322
<i>Total Fund Balances</i>	\$4,105,720	\$1,814,048	\$2,713,561	\$1,991	\$197,763	\$8,833,083

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2017, the School District had the following investments, which are in an internal investment pool:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value Per Share:				
STAR Ohio	\$813,757	Less than 30 days	AAAm	21.76%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	275,192	Less than one year	N/A	7.36
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	<u>2,651,533</u>	Less than five years	N/A	70.89
Total Investments	<u><u>\$3,740,482</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond State statute requirements. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First-half tax collections are received by the School 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 located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 semi-annually, 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.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected 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.

Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected.

The School District receives property taxes from Adams County. The Adams County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2017 was \$230,892 in the General Fund and \$42,941 in the Debt Service Fund. The amount available as an advance at June 30, 2016 was \$1,368,571 in the General Fund and \$209,888 in the Debt Service Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The School District's assessed values upon which fiscal year 2017 taxes were collected are:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 7 - PROPERTY TAXES (Continued)

	2016 Second - Half Collections		2017 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$109,444,430	34.06%	\$110,975,160	42.09%
Public Utility Personal	211,847,770	65.94%	152,659,680	57.91%
Total Assessed Value	<u>\$321,292,200</u>	<u>100.00%</u>	<u>\$263,634,840</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.10		\$26.36	

NOTE 8 - ELECTRIC DEREGULATION FUNDS

In fiscal year 2011, the funding was decreased by 30%. The State also decided to go back into fiscal year 2010 and make an additional 15% decrease (\$625,000) and this repayment was taken out of the March 2012 deregulation payment. In fiscal years 2012 and 2013, the payments decreased \$250,401 each year by HB 153. The current biannual budget HB64 resumed the reduction of the deregulation payments and SB 208 modified the reduction to 5/8 of a mill each year. It is estimated the last year the School District will receive deregulation funding will be in fiscal year 2027.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2017, consisted of taxes, intergovernmental grants, interfund, interest, and accounts. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables will be received within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Food Service Reimbursement	\$12,835
Early Childhood Education	4,000
IDEA Part B Grant	63,581
Title I Grant	86,363
Title II Grant	7,395
Title IV-B Grant	1,832
21st Century Grant	6,643
Creating Healthy Communities Grant	2,763
ODJFS Summer REC Program Grant	9,263
ODJFS Medicaid	2,677
Foundation Adjustment	16,070
Tuition and Fees	52,690
Excess Cost Reimbursements	381
Total Intergovernmental Receivables	<u>\$266,493</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 6/30/2016	Additions	Deductions	Balance at 6/30/2017
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$754,455	\$0	\$0	\$754,455
Construction in Progress	331,279	2,087,500	(2,376,738)	42,041
Total Capital Assets Not Being Depreciated	<u>1,085,734</u>	<u>2,087,500</u>	<u>(2,376,738)</u>	<u>796,496</u>
Capital Assets Being Depreciated:				
Land Improvements	3,381,278	1,849,538	(49,669)	5,181,147
Buildings and Improvements	31,954,038	527,779	(21,816)	32,460,001
Furniture, Fixtures and Equipment	3,767,980	166,829	(240,138)	3,694,671
Vehicles	1,023,046	203,010	(28,865)	1,197,191
Totals Capital Assets Being Depreciated	<u>40,126,342</u>	<u>2,747,156</u>	<u>(340,488)</u>	<u>42,533,010</u>
Less Accumulated Depreciation:				
Land Improvements	(1,127,302)	(119,954)	38,999	(1,208,257)
Building and Improvements	(6,504,123)	(657,219)	18,257	(7,143,085)
Furniture, Fixtures and Equipment	(2,266,981)	(164,324)	217,612	(2,213,693)
Vehicles	(725,572)	(64,051)	27,422	(762,201)
Total Accumulated Depreciation	<u>(10,623,978)</u>	<u>(1,005,548) *</u>	<u>302,290</u>	<u>(11,327,236)</u>
Total Capital Assets Being Depreciated, Net	<u>29,502,364</u>	<u>1,741,608</u>	<u>(38,198)</u>	<u>31,205,774</u>
Governmental Activities Capital Assets, Net	<u>\$30,588,098</u>	<u>\$3,829,108</u>	<u>(\$2,414,936)</u>	<u>\$32,002,270</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$438,213
Special	69,352
Vocational	5,736
Support Services:	
Pupils	47,050
Instructional Staff	34,602
Administration	34,636
Fiscal	2,984
Operation and Maintenance of Plant	59,087
Pupil Transportation	74,630
Operation of Non-Instructional Services - Food Services	32,016
Operation of Non-Instructional Services - Community Services	11,945
Extracurricular Activities	195,297
Total Depreciation Expense	<u>\$1,005,548</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 11 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District carries cheerleader catastrophic accident insurance through the Loomis & Lapann, Inc. under National Union Fire Insurance Company of Pittsburgh, PA. Coverage is an aggregate maximum of \$450,000 per cheerleader with a \$25,000 deductible.

The School District, along with other school districts in Ohio, participates in the Schools of Ohio Risk Sharing Authority, Inc. Plan (SORSA), an insurance purchasing pool. Each individual school district enters into an agreement with SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to SORSA (See Note 19).

Insurance coverage provided includes the following:

Buildings and contents (\$0 Deductible)	\$42,290,923
Crime Coverage (\$0 Deductible)	\$100,000
Fleet Insurance Coverages	
Combined single Limit Liability	\$15,000,000
Auto Medical Payments	\$10,000/\$25,000
Uninsured Motorist	\$1,000,000
Comprehensive and Collision (\$0 Deductible)	ACV
Garagekeepers Physical Damage (\$0 Deductible)	ACV/\$250,000 limit
General Liability	
Each Occurrence Limit	\$15,000,000
General Aggregate Limit	\$17,000,000
Errors or Omissions Limit	\$1,000,000
Fire Damage Limit (any one fire)	\$500,000
Medical Expense (per person/accident)	\$10,000/\$25,000
Medical Expense (each accident)	\$25,000
Vehicle Liability Limit	\$15,000,000

Settled claims have not exceeded this commercial coverage in the past fiscal year. There has been no significant reduction in coverage from the prior fiscal year.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 11 - RISK MANAGEMENT (Continued)

Workers' Compensation

For fiscal year 2017, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$210,156 for fiscal year 2017. Of this amount \$15,512 is reported as an intergovernmental payable.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$657,726 for fiscal year 2017. Of this amount \$92,206 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.04517920%	0.04185753%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04667520%</u>	<u>0.04218134%</u>	
Change in Proportionate Share	<u>0.00149600%</u>	<u>0.00032381%</u>	
Proportionate Share of the Net Pension Liability	\$3,416,195	\$14,119,365	\$17,535,560
Pension Expense	\$436,702	\$1,121,698	\$1,558,400

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$46,077	\$570,488	\$616,565
Changes of assumptions	228,050	0	228,050
Net difference between projected and actual earnings on pension plan investments	281,786	1,172,287	1,454,073
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	187,561	247,499	435,060
School District contributions subsequent to the measurement date	<u>210,156</u>	<u>657,726</u>	<u>867,882</u>
Total Deferred Outflows of Resources	<u><u>\$953,630</u></u>	<u><u>\$2,648,000</u></u>	<u><u>\$3,601,630</u></u>

\$867,882 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$220,521	\$352,511	\$573,032
2019	220,318	352,511	572,829
2020	221,634	802,350	1,023,984
2021	<u>81,001</u>	<u>482,902</u>	<u>563,903</u>
Total	<u><u>\$743,474</u></u>	<u><u>\$1,990,274</u></u>	<u><u>\$2,733,748</u></u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015 are presented below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 3 percent	4.00 percent to 22.00 percent 3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,522,828	\$3,416,195	\$2,489,895

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	<u>3.00</u>
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$18,763,490	\$14,119,365	\$10,201,774

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2017, one member of the Board of Education has elected Social Security and three student workers. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. 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 total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$25,497.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$25,497, \$34,187, and \$33,584, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System of Ohio

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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 Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, 2016 and 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Twelve month administrators earn 20 days of vacation per fiscal year. Up to two years of accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for teachers, 260 days for classified employees and the number of days specified in each administrator's contract. Teachers may accumulate for retirement severance purposes an unlimited number of days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave. The School District offers a super-severance provision for teachers and administrators who retire in their first year of eligibility. Under this policy, payment is made for one-half of the accumulated sick leave credit up to a maximum of 100 days.

Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Mutual of Omaha at the expense of the Board of Education. The School District has elected to provide employee medical, surgical, dental, and vision benefits through Anthem BlueCross BlueShield. The monthly employee cost of health, dental and vision premiums to administrative, certificated and classified employees is \$75.50, \$52.85 and \$43.10, for single coverage, respectively, and \$204.50, \$143.15 and \$116.36, respectively, for family coverage.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 14 - EMPLOYEE BENEFITS (Continued)

Perfect Attendance Incentive

Teachers are paid an extra five days at their daily rate for perfect attendance. Teachers with unused personal days at the end of the fiscal year are paid at the rate of \$125 per day. Eleven and 12 month classified employees with perfect attendance receive \$425 and nine and 10 month classified employees receive \$350.

Deferred Compensation

Employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan, Voya Plan, and the Ohio Association of School Board Officials (OASBO) Deferred Compensation Plan. The plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Amounts Due in One Year
<i><u>Governmental Activities:</u></i>					
2012 G.O. Refunding Bonds					
\$7,919,936 - 1.15% - 4.00%	\$7,479,936	\$0	\$819,936	\$6,660,000	\$1,220,000
Premium	153,726	0	30,745	122,981	0
Accretion on Capital					
Appreciation Bonds	334,767	45,298	0	380,065	0
Total Bonds Payable	<u>7,968,429</u>	<u>45,298</u>	<u>850,681</u>	<u>7,163,046</u>	<u>1,220,000</u>
2011 Energy Conservation Notes					
\$500,000 - 4.25%	<u>375,000</u>	<u>0</u>	<u>30,000</u>	<u>345,000</u>	<u>30,000</u>
Net Pension Liability					
STRS	11,568,198	2,551,167	0	14,119,365	0
SERS	2,577,970	838,225	0	3,416,195	0
Total Net Pension Liability	<u>14,146,168</u>	<u>3,389,392</u>	<u>0</u>	<u>17,535,560</u>	<u>0</u>
Compensated Absences	<u>550,458</u>	<u>86,573</u>	<u>49,349</u>	<u>587,682</u>	<u>55,439</u>
Total Governmental Activities Long-Term Obligations	<u>\$23,040,055</u>	<u>\$3,521,263</u>	<u>\$930,030</u>	<u>\$25,631,288</u>	<u>\$1,305,439</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

School Improvement Bonds 1995 and 2012

As a part of the deconsolidation process between the Adams County/Ohio Valley School District and Manchester Local School District, in accordance to Ohio Revised Code Section 3311.26, Manchester Local School District assumed 45.78 percent of the outstanding debt. The debt remains in the name of Adams County/Ohio Valley School District and Manchester Local School District sends Adams County/Ohio Valley School District the required 45.78 percent as payments become due.

On May 15, 1995, Adams County/Ohio Valley School District issued \$44,000,000 in voted general obligation bonds for the purpose of building new high schools and improvements to existing buildings. The bonds were issued for a 27 year period with final maturity on December 1, 2021. On July 1, 2004, Manchester Local School District assumed \$16,801,260 of the outstanding bond amount. On February 28, 2012, with the assistance from Ross, Sinclair & Associates, LLC, \$7,919,936 of the 1995 School Improvement Bonds were refunded to take full advantage of the current conditions in the bond market. The bond refunding will save tax payers of the School District approximately \$885,000 over the life of the old issue which is about a 9.34% present value savings. The bonds will be retired from the Debt Service Fund.

School Improvement Bonds 2012

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$1,220,000	\$221,405	\$1,441,405
2019	1,265,000	177,861	1,442,861
2020	1,325,000	132,611	1,457,611
2021	1,390,000	83,280	1,473,280
2022	1,460,000	27,740	1,487,740
Total	\$6,660,000	\$642,897	\$7,302,897

Energy Conservation Notes 2011

On June 30, 2011, Manchester Local School District issued \$500,000 in unvoted energy conservation notes for the purpose of providing energy conservation measures. The notes were issued for 15 years with final maturity at December 1, 2025. The notes will be retired from the Debt Service Fund from inside property tax millage funds.

Energy Conservation Notes 2011

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$30,000	\$14,025	\$44,025
2019	35,000	12,644	47,644
2020	35,000	11,156	46,156
2021	35,000	9,669	44,669
2022	40,000	8,075	48,075
2023-2026	170,000	14,876	184,876
Total	\$345,000	\$70,445	\$415,445

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

There is no repayment schedule for the net pension liability. However, employer contributions are made from the General Fund. For additional information related to the net pension liability see Note 12. Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$18,501,119 with an unvoted debt margin of \$263,635 and an Energy Conservation debt margin of \$2,027,714 at June 30, 2017.

NOTE 16 – INTERFUND ACTIVITY

During fiscal year 2017, the School District advanced \$149,741 from the General Fund to the Food Service, District Managed Student Activity, Public School Preschool, IDEA-B, Title I, Title II-A and the Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$6,184, \$6,642, \$12,000, \$35,645, \$36,515, \$5,755 and \$47,000, respectively. General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Transfers of \$145,245 and \$900,000 were made from the General Fund to the Permanent Improvement and Construction Capital Project Funds to reallocate monies for current and future repair and construction projects.

NOTE 17 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Acquisitions</u>
Set-aside Balance as of June 30, 2016	\$0
Current Fiscal Year Set-aside Requirement	145,244
Qualifying Disbursements	<u>(1,045,245)</u>
Set-aside Balance as of June 30, 2017	<u>(\$900,001)</u>
Required Set-aside Balances Carried Forward	<u><u>\$0</u></u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Regional Council of Governments (SCOCA)

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. The sub-contract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$51,027 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

NOTE 19 - INSURANCE PURCHASING POOLS

Schools of Ohio Risk Sharing Authority, Inc.

The School District participates in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District property and persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 19 - INSURANCE PURCHASING POOLS (Continued)

Ohio SchoolComp Workers' Compensation Group Rating Plan

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the Group Rating Plan. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

NOTE 20 – SIGNIFICANT COMMITMENTS

Contractual Commitments

The outstanding construction commitments at June 30, 2017, are:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/17
Emnett Construction Company, LLC	\$40,550	\$38,010	\$2,540

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$217,881
Permanent Improvement	36,365
Construction	1,322
Nonmajor Governmental Funds	48,369
Total	\$303,937

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, the School District had no abatement that met the GASB 77 definition.

NOTE 22 - CONTINGENCIES

Grants

The School 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 22 – CONTINGENCIES (Continued)

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

Manchester Local School District Board of Education has no outstanding litigation.

NOTE 23 – DISCRETELY PRESENTED COMPONENT UNIT

Organization

The Manchester Educational Foundation (“Foundation”) was created by resolution of the Board of Education and organized as a non-profit corporation under Internal Revenue Code Section 501(c)(3). The purpose of the organization is to advance educational and charitable purposes by raising funds for the benefit of the students and residents of the Manchester Local School District. The Foundation is a component unit of the Manchester Local School District.

Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements of the Foundation present information regarding its net position and in the following category:

Unrestricted

Net position is under the discretionary control of the Board of Directors (the “Board”), are free from any and all donor restrictions, and include amounts designated by the Board for specified purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash on hand and cash in banks, (checking and savings accounts). At June 30, 2017, the Foundation had \$5,025 in a checking account with 1st State Bank. The entire balance was covered by FDIC (Federal Deposit Insurance Corporation).

MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 23 – DISCRETELY PRESENTED COMPONENT UNIT (Continued)

Capital Assets

Capital assets acquired by the Foundation are considered owned by the Foundation. The Foundation follows the practice of capitalizing, at cost, all expenditures for capital assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 20 years

Manchester Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.04667520%	0.04517920%	0.04112700%	0.04112700%
School District's Proportionate Share of the Net Pension Liability	\$3,416,195	\$2,577,970	\$2,081,414	\$2,445,691
School District's Covered Payroll	\$1,472,407	\$1,367,129	\$1,205,962	\$1,064,282
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	232.01%	188.57%	172.59%	229.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year-end.

Manchester Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.04218134%	0.04185753%	0.04075001%	0.04075001%
School District's Proportionate Share of the Net Pension Liability	\$14,119,365	\$11,568,198	\$9,911,813	\$11,806,886
School District's Covered Payroll	\$4,501,236	\$4,267,121	\$4,263,271	\$4,191,569
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	313.68%	271.10%	232.49%	281.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year-end.

Manchester Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$210,156	\$206,137	\$180,188	\$167,146	\$147,297	\$130,207	\$173,171	\$167,080	\$123,136	\$111,722
Contributions in Relation to the Contractually Required Contribution	(210,156)	(206,137)	(180,188)	(167,146)	(147,297)	(130,207)	(173,171)	(167,080)	(123,136)	(111,722)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,501,114	\$1,472,407	\$1,367,129	\$1,205,962	\$1,064,282	\$968,079	\$1,377,655	\$1,233,975	\$1,251,386	\$1,137,697
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Manchester Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$657,726	\$630,173	\$597,397	\$554,225	\$544,904	\$489,681	\$605,153	\$573,656	\$511,577	\$507,406
Contributions in Relation to the Contractually Required Contribution	(657,726)	(630,173)	(597,397)	(554,225)	(544,904)	(489,681)	(605,153)	(573,656)	(511,577)	(507,406)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$4,698,043	\$4,501,236	\$4,267,121	\$4,263,271	\$4,191,569	\$3,766,777	\$4,655,023	\$4,412,738	\$3,935,208	\$3,903,123
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	37,798
Cash Assistance:			
National School Breakfast Program	10.553	3L70	98,052
National School Lunch Program	10.555	3L60	220,847
Summer Food Service Program for Children	10.559	3L60	19,000
Total Child Nutrition Cluster			<u>375,697</u>
Fresh Fruit and Vegetable Grant	10.582	3G60	33,829
Child and Adult Care Food Program	10.558	3L80	44,486
Total U.S. Department of Agriculture			<u>454,012</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants to States -	84.027	3M20-2016	19,291
IDEA Part B	84.027	3M20-2017	<u>177,679</u>
Total Special Education Cluster			196,970
Title I Grants to Local Educational Agencies	84.010	3M00-2016	37,791
Title I Grants to Local Educational Agencies	84.010	3M00-2017	<u>366,423</u>
Total Title I			404,214
Twenty First Century Grant	84.287	3Y20-2016	8,666
Twenty First Century Grant	84.287	3Y20-2017	<u>196,671</u>
Total Twenty First Century Grant			205,337
Title IIA - Improving Teacher Quality	84.367	3Y60-2017	<u>54,827</u>
Rural Education (Title VI-B)	84.358	3Y87	18,926
Total U.S. Department of Education			<u>880,274</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health</i>			
Creating Healthy Communities	93.758	00150014CC2017	53,061
Creating Healthy Communities	93.758	00150014CC2017	<u>30,265</u>
Total Creating Healthy Communities			83,326
<i>Passed Through Ohio Department of Job and Family Services</i>			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	G-1617-11-5476	<u>42,082</u>
Total TANF Cluster			42,082
Total U.S. Department of Health and Human Services			<u>125,408</u>
Total Expenditures of Federal Awards			<u>1,459,694</u>

The accompanying notes are an integral part of this schedule.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Manchester Local School District (the Government's) under programs of the federal government for the fiscal year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

The Government reports commodities consumed on the Schedule at the fair value. The Government allocated donated food commodities to the respective program(s) that benefitted from the use of those donated food commodities.

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the Government to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title VI-B Rural and Low Income	84.358	\$1,112.00



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
Adams County
130 Wayne Frye Drive
Manchester, Ohio 45144

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 the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Manchester Local School District, Adams County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2018.

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 opinions 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.

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 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 District'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.

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

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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 report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 21, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Manchester Local School District
Adams County
130 Wayne Frye Drive
Manchester, Ohio 45144

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Manchester Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Manchester Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Manchester Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

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 the Uniform Guidance, 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.

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 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Dave Yost
Auditor of State

Columbus, Ohio

February 21, 2018

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.010 Title I
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2018**