



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Financial Statements	
Combined Statements of Cash, Investments and Fund Cash Balances - All Fund Types As of June 30, 2000 and 1999	3
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended June 30, 2000	4
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds For the Year Ended June 30, 2000	10
Combined Statement of Receipts - Budget and Actual For the Year Ended June 30, 2000	13
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority For the Year Ended June 30, 2000	14
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended June 30, 1999	16
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds For the Year Ended June 30, 1999	22
Combined Statement of Receipts - Budget and Actual For the Year Ended June 30, 1999	25
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority For the Year Ended June 30, 1999	26
Notes to the Financial Statements	29
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	43
Schedule of Findings	45

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

Report of Independent Accountants

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

To the Board of Education:

We have audited the accompanying financial statements of Manchester Local School District, Summit County, Ohio, (the District) as of and for the years ended June 30, 2000 and 1999, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial statements in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and fund cash balances of the District as of June 30, 2000 and 1999, and its combined cash receipts and cash disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the management, the Board of Education, and other officials authorized to receive this report under section 117.26, Ohio Rev. Code and is not intended to be and should not be used by anyone other than those specified parties.

Jim Petro
Auditor of State

December 1, 2000

MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

COMBINED STATEMENTS OF CASH, INVESTMENTS AND FUND CASH
BALANCES - ALL FUND TYPES
AS OF JUNE 30, 2000 AND 1999

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Cash, Cash Equivalents and Investments	<u>\$1,161,371</u>	<u>\$1,119,784</u>

BALANCES BY FUND TYPE

Governmental Funds:		
General Fund	\$402,700	\$586,227
Special Revenue Funds	189,623	155,850
Debt Service Fund	0	3,744
Capital Projects Funds	19,990	(1,845)
Proprietary Funds:		
Enterprise Fund	68,475	59,847
Internal Service Fund	391,297	250,893
Fiduciary Funds:		
Trust and Agency Funds	<u>89,286</u>	<u>65,068</u>
Total	<u>\$1,161,371</u>	<u>\$1,119,784</u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
RECEIPTS		
Local Sources:		
Taxes	\$3,900,771	\$259,483
Tuition	0	0
Investment Earnings	59,572	0
Food Service	0	3,621
Extracurricular Activities	0	125,461
Classroom Materials and Fees	9,627	20,966
Miscellaneous	91,675	31,162
	4,061,645	440,693
Total Local Sources	4,061,645	440,693
State Sources:		
Unrestricted Grants-In-Aid	4,189,224	33,983
Restricted Grants-In-Aid	25,204	30,225
	4,214,428	64,208
Total State Sources	4,214,428	64,208
Federal Sources:		
Restricted Grants-In-Aid	0	149,458
	0	149,458
Total Receipts	8,276,073	654,359

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum) Only</u>
\$143,767	\$34,681	\$0	\$4,338,702
0	0	0	0
0	0	627	60,199
0	0	0	3,621
0	0	0	125,461
0	0	0	30,593
0	0	33,795	156,632
<u>143,767</u>	<u>34,681</u>	<u>34,422</u>	<u>4,715,208</u>
0	11,057	0	4,234,264
0	0	0	55,429
<u>0</u>	<u>11,057</u>	<u>0</u>	<u>4,289,693</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>149,458</u>
<u>143,767</u>	<u>45,738</u>	<u>34,422</u>	<u>9,154,359</u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

	Governmental Fund Types	
	General	Special Revenue
DISBURSEMENTS		
Instruction:		
Regular	4,165,791	5,230
Special	335,820	124,172
Vocational Education	65,187	0
Adult/Continuing	3,299	0
Total Instruction	4,570,097	129,402
Support Services:		
Pupils	655,470	12,448
Instructional Staff	352,019	4,906
Board of Education	14,259	0
School Administration	760,921	3,817
Fiscal	297,046	3,609
Operations and Maintenance	937,152	230,351
Student Transportation	520,071	43,232
Support Services - Central	72,978	954
Total Support Services	3,609,916	299,317
Extracurricular Activities:		
Academic and Subject Oriented	44,601	57,544
Sports Oriented	178,079	132,297
Co-Curricular Activities	10,147	1,281
Total Extracurricular Activities	232,827	191,122

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum) Only</u>
0	4,665	86	4,175,772
0	0	0	459,992
0	0	0	65,187
<u>0</u>	<u>0</u>	<u>2,810</u>	<u>6,109</u>
0	4,665	2,896	4,707,060
0	0	0	667,918
0	0	0	356,925
0	0	0	14,259
0	0	0	764,738
0	1,237	0	301,892
0	0	0	1,167,503
0	0	0	563,303
<u>0</u>	<u>0</u>	<u>0</u>	<u>73,932</u>
0	1,237	0	3,910,470
0	0	0	102,145
0	0	0	310,376
<u>0</u>	<u>0</u>	<u>0</u>	<u>11,428</u>
0	0	0	423,949

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

	Governmental Fund Types	
	General	Special Revenue
Facilities Acquisition and Construction Services:		
Building Improvement	11,874	0
Construction	60,412	0
	72,286	0
Debt Service:		
Repayment of Debt	0	0
	0	0
Total Disbursements	8,485,126	619,841
Excess of Receipts Over (Under) Disbursements	(209,053)	34,518
Other Financing Sources (Uses)		
Transfers-In	11,000	69,949
Advances-In	27,221	14,919
Transfers-Out	(28,199)	(59,911)
Advances-Out	(14,919)	(27,221)
Refund of Prior Year Expenditures	30,423	1,519
	25,526	(745)
Total Other Financing Sources (Uses)	25,526	(745)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(183,527)	33,773
Fund Cash Balances, July 1, 1999	586,227	155,850
Fund Cash Balances, June 30, 2000	\$402,700	\$189,623
Reserve for encumbrances, June 30, 2000	\$119,851	\$64,511

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum) Only</u>
0	18,001	0	29,875
0	0	0	60,412
<u>0</u>	<u>18,001</u>	<u>0</u>	<u>90,287</u>
<u>147,511</u>	<u>0</u>	<u>0</u>	<u>147,511</u>
<u>147,511</u>	<u>23,903</u>	<u>2,896</u>	<u>9,279,277</u>
(3,744)	21,835	31,526	(124,918)
0	0	0	80,949
0	0	0	42,140
0	0	0	(88,110)
0	0	0	(42,140)
<u>0</u>	<u>0</u>	<u>0</u>	<u>31,942</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>24,781</u>
(3,744)	21,835	31,526	(100,137)
<u>3,744</u>	<u>(1,845)</u>	<u>15,618</u>	<u>759,594</u>
<u>\$0</u>	<u>\$19,990</u>	<u>\$47,144</u>	<u>\$659,457</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$184,362</u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING RECEIPTS		
Food Service	\$260,270	\$0
Extracurricular Activities	0	0
Classroom Material and Fees	20,132	0
Total Operating Receipts	280,402	0
OPERATING DISBURSEMENTS		
Personal Services - Salaries	124,502	0
Employees' Retirement and Insurance	21,745	0
Purchased Services	4,306	667,060
Supplies and Materials	165,378	0
Capital Outlay	1,350	0
Capital Outlay - Replacement	975	0
Other Objects	493	5,099
Total Operating Disbursements	318,749	672,159
Excess of Operating Receipts (Under) Operating Disbursements	(38,347)	(672,159)
NONOPERATING RECEIPTS		
Investment Earnings	1,141	18,250
Miscellaneous	2,936	794,313
State Sources		
Restricted Grants-In-Aid	1,866	0
Federal Sources		
Unrestricted Grants-In-Aid	33,871	0
Total Nonoperating Receipts	39,814	812,563
Excess of Receipts Over (Under) Disbursements Before Transfers	1,467	140,404
Transfers-In	7,161	0
Net Excess of Receipts Over (Under) Disbursements	8,628	140,404
Fund Cash Balances, July 1, 1999	59,847	250,893
Fund Cash Balances, June 30, 2000	\$68,475	\$391,297
Reserve for encumbrances, June 30, 2000	\$6,524	\$42

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

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum) Only</u>
<u>Agency</u>	
\$0	\$260,270
78,686	78,686
<u>0</u>	<u>20,132</u>
78,686	359,088
0	124,502
0	21,745
0	671,366
0	165,378
0	1,350
0	975
<u>87,444</u>	<u>93,036</u>
<u>87,444</u>	<u>1,078,352</u>
(8,758)	(719,264)
1,155	20,546
295	797,544
0	1,866
<u>0</u>	<u>33,871</u>
<u>1,450</u>	<u>853,827</u>
(7,308)	134,563
<u>0</u>	<u>7,161</u>
(7,308)	141,724
<u>49,450</u>	<u>360,190</u>
<u>\$42,142</u>	<u>\$501,914</u>
<u>\$2,775</u>	<u>\$9,341</u>

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

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General	\$9,155,388	\$8,317,256	(\$838,132)
Special Revenue	874,740	670,797	(203,943)
Debt Service	161,338	143,767	(17,571)
Capital Projects	44,237	45,738	1,501
Proprietary:			
Enterprise	329,700	327,377	(2,323)
Internal Service	705,500	812,563	107,063
Fiduciary:			
Trust and Agency	<u>68,244</u>	<u>114,558</u>	<u>46,314</u>
Total (Memorandum Only)	<u><u>\$11,339,147</u></u>	<u><u>\$10,432,056</u></u>	<u><u>(\$907,091)</u></u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Encumbrances</u>	<u>2000 Appropriations</u>	<u>Total</u>
Governmental:			
General	\$226,934	\$8,928,952	\$9,155,886
Special Revenue	34,735	737,009	771,744
Debt Service	0	161,576	161,576
Capital Projects	1,200	58,199	59,399
Proprietary:			
Enterprise	4,119	356,542	360,661
Internal Service	0	765,555	765,555
Fiduciary:			
Trust and Agency	<u>2,395</u>	<u>131,831</u>	<u>134,226</u>
Total (Memorandum Only)	<u><u>\$269,383</u></u>	<u><u>\$11,139,664</u></u>	<u><u>\$11,409,047</u></u>

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

<u>Actual 2000 Disbursements</u>	<u>Encumbrances Outstanding At 6-30-00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$8,519,749	\$119,851	\$8,639,600	\$516,286
643,143	64,511	707,654	64,090
147,511	0	147,511	14,065
23,903	0	23,903	35,496
318,749	6,524	325,273	35,388
672,159	42	672,201	93,354
<u>90,340</u>	<u>2,775</u>	<u>93,115</u>	<u>41,111</u>
<u><u>\$10,415,554</u></u>	<u><u>\$193,703</u></u>	<u><u>\$10,609,257</u></u>	<u><u>\$799,790</u></u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
RECEIPTS		
Local Sources:		
Taxes	\$3,919,837	\$260,965
Tuition	1,211	0
Investment Earnings	69,781	0
Food Services	0	17,074
Extracurricular Activities	0	92,850
Classroom Materials and Fees	8,895	16,555
Miscellaneous	84,818	34,468
Total Local Sources	4,084,542	421,912
State Sources:		
Unrestricted Grants-In-Aid	4,029,900	55,082
Restricted Grants-In-Aid	29,655	67,777
Total State Sources	4,059,555	122,859
Federal Sources:		
Restricted Grants-In-Aid	0	110,351
Total Receipts	8,144,097	655,122

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum) Only</u>
\$112,280	\$27,699	\$0	\$4,320,781
0	0	0	1,211
0	0	440	70,221
0	0	0	17,074
0	0	0	92,850
0	0	0	25,450
<u>0</u>	<u>0</u>	<u>2,490</u>	<u>121,776</u>
112,280	27,699	2,930	4,649,363
0	128,489	0	4,213,471
<u>0</u>	<u>0</u>	<u>0</u>	<u>97,432</u>
0	128,489	0	4,310,903
<u>0</u>	<u>0</u>	<u>0</u>	<u>110,351</u>
<u>112,280</u>	<u>156,188</u>	<u>2,930</u>	<u>9,070,617</u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
DISBURSEMENTS		
Instruction:		
Regular	4,009,614	18,549
Special	382,276	184,750
Vocational Education	60,932	0
Adult/Continuing	3,863	0
	<u>4,456,685</u>	<u>203,299</u>
Total Instruction	4,456,685	203,299
Support Services:		
Pupils	547,887	15,948
Instructional Staff	342,388	9,464
Board of Education	15,301	0
School Administration	767,078	21
Fiscal	337,410	3,850
Operations and Maintenance	877,076	211,788
Student Transportation	633,059	31,410
Support Services - Central	50,188	0
	<u>3,570,387</u>	<u>272,481</u>
Total Support Services	3,570,387	272,481
Extracurricular Activities:		
Academic and Subject Oriented	45,115	74,090
Sports Oriented	171,778	111,354
Co-Curricular Activities	9,630	1,487
	<u>226,523</u>	<u>186,931</u>
Total Extracurricular Activities	226,523	186,931

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
0	107,708	204	4,136,075
0	0	0	567,026
0	0	0	60,932
<u>0</u>	<u>0</u>	<u>2,100</u>	<u>5,963</u>
0	107,708	2,304	4,769,996
0	0	0	563,835
0	0	0	351,852
0	0	0	15,301
0	9	0	767,108
0	1,320	0	342,580
0	0	0	1,088,864
0	0	0	664,469
<u>0</u>	<u>0</u>	<u>0</u>	<u>50,188</u>
0	1,329	0	3,844,197
0	0	0	119,205
0	0	0	283,132
<u>0</u>	<u>0</u>	<u>0</u>	<u>11,117</u>
0	0	0	413,454

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

(Continued)

	Governmental Fund Types	
	General	Special Revenue
Facilities Acquisition and Construction Services:		
Building Improvement	57,487	0
Construction	67,266	0
	124,753	0
Debt Service:		
Repayment of Debt	0	0
	0	0
Total Disbursements	8,378,348	662,711
Excess of Receipts Over (Under) Disbursements	(234,251)	(7,589)
Other Financing Sources (Uses)		
Sale or Loss of Assets	6,000	0
Proceeds from Notes Payable	105,422	0
Transfers-In	64,738	19,381
Advances-In	13,045	16,634
Advances-Out	(16,634)	(13,045)
Transfers-Out	(144,159)	0
Refund of Prior Year Expenditures	22,020	1,978
	50,432	24,948
Total Other Financing Sources (Uses)	50,432	24,948
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(183,819)	17,359
Fund Cash Balances, July 1, 1998	770,046	138,491
Fund Cash Balances, June 30, 1999	\$586,227	\$155,850
Reserve for encumbrances, June 30, 1999	\$226,934	\$34,735

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
0	91,939	0	149,426
0	0	0	67,266
<u>0</u>	<u>91,939</u>	<u>0</u>	<u>216,692</u>
<u>164,423</u>	<u>0</u>	<u>0</u>	<u>164,423</u>
<u>164,423</u>	<u>200,976</u>	<u>2,304</u>	<u>9,408,762</u>
(52,143)	(44,788)	626	(338,145)
0	0	0	6,000
0	0	0	105,422
55,887	0	0	140,006
0	0	0	29,679
0	0	0	(29,679)
0	0	0	(144,159)
<u>0</u>	<u>0</u>	<u>0</u>	<u>23,998</u>
<u>55,887</u>	<u>0</u>	<u>0</u>	<u>131,267</u>
3,744	(44,788)	626	(206,878)
<u>0</u>	<u>42,943</u>	<u>14,992</u>	<u>966,472</u>
<u>\$3,744</u>	<u>(\$1,845)</u>	<u>\$15,618</u>	<u>\$759,594</u>
<u>\$0</u>	<u>\$1,200</u>	<u>\$0</u>	<u>\$262,869</u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING RECEIPTS		
Food Service	\$255,685	\$0
Extracurricular Activities	0	0
Classroom Material and Fees	20,008	0
Total Operating Receipts	275,693	0
OPERATING DISBURSEMENTS		
Personal Services - Salaries	117,334	0
Employees' Retirement and Insurance	28,385	0
Purchased Services	2,802	645,052
Supplies and Materials	162,314	0
Capital Outlay	76	0
Capital Outlay - Replacement	225	0
Other Objects	414	6,008
Total Operating Disbursements	311,550	651,060
Excess of Operating Receipts (Under) Operating Disbursements	(35,857)	(651,060)
NONOPERATING RECEIPTS		
Investment Earnings	380	9,670
Miscellaneous	4,007	652,725
State Sources		
Restricted Grants-In-Aid	1,366	0
Federal Sources		
Unrestricted Grants-In-Aid	35,189	0
Total Nonoperating Receipts	40,942	662,395
Excess of Receipts Over Disbursements Before Transfers	5,085	11,335
Transfers-In	4,153	0
Net Excess of Receipts Over Disbursements	9,238	11,335
Fund Cash Balances, July 1, 1998	50,609	239,558
Fund Cash Balances, June 30, 1999	\$59,847	\$250,893
Reserve for encumbrances, June 30, 1999	\$4,119	\$0

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

<u>Fiduciary Fund Type</u>	<u>Total</u> <u>(Memorandum)</u> <u>Only</u>
<u>Agency</u>	
\$0	\$255,685
70,831	70,831
<u>0</u>	<u>20,008</u>
70,831	346,524
0	117,334
0	28,385
0	647,854
0	162,314
0	76
0	225
<u>71,230</u>	<u>77,652</u>
<u>71,230</u>	<u>1,033,840</u>
(399)	(687,316)
1,382	11,432
1,246	657,978
0	1,366
<u>0</u>	<u>35,189</u>
<u>2,628</u>	<u>705,965</u>
2,229	18,649
<u>0</u>	<u>4,153</u>
2,229	22,802
<u>47,221</u>	<u>337,388</u>
<u>\$49,450</u>	<u>\$360,190</u>
<u>\$2,395</u>	<u>\$6,514</u>

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

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General	\$8,245,202	\$8,355,322	\$110,120
Special Revenue	837,384	693,115	(144,269)
Debt Service	168,167	168,167	0
Capital Projects	55,542	156,188	100,646
Proprietary:			
Enterprise	320,788	320,788	0
Internal Service	662,395	662,395	0
Fiduciary:			
Trust and Agency	<u>76,389</u>	<u>76,389</u>	<u>0</u>
Total (Memorandum Only)	<u><u>\$10,365,867</u></u>	<u><u>\$10,432,364</u></u>	<u><u>\$66,497</u></u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Encumbrances</u>	<u>1999 Appropriations</u>	<u>Total</u>
Governmental:			
General	\$130,596	\$8,690,764	\$8,821,360
Special Revenue	28,149	754,479	782,628
Debt Service	0	147,451	147,451
Capital Projects	42,944	258,816	301,760
Proprietary:			
Enterprise	100	352,619	352,719
Internal Service	0	918,558	918,558
Fiduciary:			
Trust and Agency	<u>1,025</u>	<u>120,685</u>	<u>121,710</u>
Total (Memorandum Only)	<u><u>\$202,814</u></u>	<u><u>\$11,243,372</u></u>	<u><u>\$11,446,186</u></u>

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

<u>Actual 1999 Disbursements</u>	<u>Encumbrances Outstanding At 6-30-99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$8,539,141	\$226,934	\$8,766,075	\$55,285
720,894	34,735	755,629	26,999
164,423	0	164,423	(16,972)
200,976	1,200	202,176	99,584
311,550	4,119	315,669	37,050
651,060	0	651,060	267,498
<u>73,534</u>	<u>2,395</u>	<u>75,929</u>	<u>45,781</u>
<u><u>\$10,661,578</u></u>	<u><u>\$269,383</u></u>	<u><u>\$10,930,961</u></u>	<u><u>\$515,225</u></u>

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

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

Average daily membership as of October 1, 1999 and 1998 was 1,428 and 1,485, respectively. The District employed 96 and 103 certificated employees and 79 and 98 non-certificated employees, respectively, on those respective dates.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes for the organization. The District has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Village of Franklin (Village) The District is not financially accountable for the Village nor is the Village fiscally dependent on the District.

Franklin Township (Township) The District is not financially accountable for the Township nor is the Township fiscally dependent on the District.

Parent Teacher Association (PTA) The District is not involved in the PTA's budgeting or management, nor is it responsible for any debt and has no influence over the organization.

The District is associated with three jointly governed organizations. These organizations are discussed in Note 13. These organizations are the Northeast Ohio Network for Educational Technology (NEONET), the Portage Lakes Career Center and Interval Opportunity School.

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial statements in accordance with generally accepted accounting principles, the District has chosen to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments in repurchase agreements are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

3. Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund may also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

5. Enterprise Funds

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

6. Internal Service Fund

This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. This fund is also used to account for funding and payment of health insurance claims of the District's Self Insurance employee health benefits account.

7. Agency Funds

These funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and/or other funds.

8. Expendable Trust Funds

These funds are used to account for resources restricted by legally binding trust agreements.

E. Budgetary Process

1. Budget

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official Certificate of Estimated Resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown in the accompanying financial statements do not include July 1, 1999 and July 1, 1998 unencumbered fund balances. However, those fund balances were available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

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

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

H. Total Columns on Financial Statements

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

2. NONCOMPLIANCE

Contrary to Ohio Administrative Code Section 117-2-01, the District did not prepare its annual financial statements in accordance with generally accepted accounting principles.

Contrary to Ohio Revised Code Section 5705.10, the District had a significant amount of negative fund balances for the months of July through May throughout the fiscal years under audit.

Contrary to Ohio Revised Code Section 5705.38(B), certain fiscal year 2000 and 1999 appropriation modifications were approved by the Board of Education subsequent to June 30 in both fiscal years.

3. DEBT

Debt outstanding at June 30, 2000 and 1999 was as follows:

	2000 <u>Principal</u>	1999 <u>Principal</u>
Energy Conservation Improvement Bond - 4.75%	\$143,940	\$183,140
Permanent Improvement Note - 4.37%	<u>50,000</u>	<u>100,000</u>
Total	<u>\$193,940</u>	<u>\$283,140</u>

Bond and note proceeds were used to finance the cost of building energy conservation improvements and track and field improvements, respectively.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending <u>June 30:</u>	Energy Conservation <u>Improvement Bond</u>	Permanent <u>Improvement Note</u>
2001	\$46,037	\$52,185
2002	44,175	0
2003	42,313	0
2004	<u>27,591</u>	<u>0</u>
Total	<u>\$160,116</u>	<u>\$52,185</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

3. DEBT (continued)

Capital Leases

The District has entered into capital lease agreements to purchase eight buses. The following is a schedule of future minimum lease payments of the capital leases and the present value of the net minimum lease payments at June 30, 2000.

Year ending <u>June 30:</u>	November 1996 <u>Bus Lease</u> (2 buses)	July 1997 <u>Bus Lease</u> (3 buses)	March 1999 <u>Bus Lease</u> (2 buses)	April 2000 <u>Bus Lease</u> (1 bus)
2001	\$16,098	\$24,789	\$17,571	\$9,273
2002	16,098	24,789	17,571	9,273
2003	16,098	24,789	17,571	9,273
2004	0	24,789	17,571	9,273
2005	0	0	17,571	9,273
2006	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,273</u>
Total minimum lease payments	48,294	99,156	87,855	55,638
Less amount representing interest	<u>(5,565)</u>	<u>(14,234)</u>	<u>(11,580)</u>	<u>(10,466)</u>
Present value of future minimum lease payments	<u>\$42,729</u>	<u>\$84,922</u>	<u>\$76,275</u>	<u>\$45,172</u>

4. POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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 one year from the date of deposit or by savings accounts, including passbook accounts.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

4. POOLED CASH AND INVESTMENTS (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

Deposits - At June 30, 2000 and 1999, the carrying amount of the District's deposits was (\$15,957) and (\$133,053), respectively, and the bank balances were \$205,032 and \$110,604, respectively. As of June 30, 2000, \$192,492 of the bank balance was covered by federal depository insurance and \$12,540 was uncollateralized and uninsured. As of June 30, 1999, \$110,604 of the bank balance was covered by federal depository insurance.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

4. POOLED CASH AND INVESTMENTS (Continued)

Investments

The District's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	Category 1	Category 2	Category 3	Carrying Value
2000				
Repurchase Agreement			\$795,000	<u>795,000</u>
Total				<u>\$795,000</u>
1999				
Repurchase Agreement			\$1,010,000	<u>1,010,000</u>
Total				<u>\$1,010,000</u>

Restricted Cash - Included in the June 30, 2000 and 1999 General Fund cash balances is restricted cash of \$113,439, set aside to establish the required Budget Stabilization Reserve. For fiscal years 2000 and 1999, the Budget Stabilization Reserve was under accrued, and hence under funded by \$26,801 and \$2,737, respectively; however, the amounts under funded were deemed insignificant. These reserves are required by State statute and can be used only after receiving approval from the State. Other restricted cash amounts at June 30, 2000 and 1999, are \$22,004 and \$3,291, respectively, set aside for school bus replacement.

5. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1996.

Real property taxes become a lien all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rates applied to real property for the tax (calendar) years 2000 and 1999 were \$60.44 and \$60.44 per \$1000 of assessed valuation, respectively. After adjustment of the rate for inflationary increases in property values, the effective tax rates were \$36.04 and \$36.04 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$39.82 and \$39.82 per \$1000 of assessed valuation for all other real property.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

5. PROPERTY TAX (Continued)

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rates applied to tangible personal property for the tax (calendar) year 2000 and 1999 was \$60.44 per \$1000 of assessed valuation.

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

6. INSURANCE

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

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by the STRS, upon recommendation of its consulting actuary. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$990,464, \$888,461, and \$958,457, respectively, equal to the required contributions for each year.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$354,905, \$345,551, and \$350,815, respectively, equal to the required contributions for each year.

8. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the Board allocated employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund. For the fiscal year ended June 30, 1999, the allocation was 8% of covered payroll. For the District, this amount equaled \$7,929 during fiscal year 2000 and \$31,150 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS statewide were \$249,929 and STRS had 95,796 eligible benefit recipients statewide.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate was 6.3 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal years 2000 and 1999, the minimum pay was established as \$12,400. The surcharge rate, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care statewide at June 30, 1999, the latest information available, were \$126,380,984 and the target level was \$189.6 million.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million, at cost. SERS has approximately 51,000 statewide participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$18,667 in fiscal year 2000 and \$25,094 in fiscal year 1999.

9. HEALTH INSURANCE

The District provides major medical, hospitalization, vision, prescription drug, dental, and life insurance benefits to its employees through a third party administrator. Benefit costs are funded and accounted for in the Self Insurance Fund.

10. CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000 or 1999.

11. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal years ended June 30, 2000 and 1999, the School District received \$3,642,755 and \$3,499,183, respectively, of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant[ing] further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

11. STATE SCHOOL FUNDING DECISION (Continued)

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

12. SET-ASIDE REQUIREMENTS

State of Ohio House Bill 412 requires the District to set-aside a portion of the general operating resources for future use. For the fiscal years ended June 30, 2000 and 1999, the required set-asides were:

June 30, 2000	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Totals
Balance as of June 30, 1999	\$0	\$0	\$113,439	\$113,439
Current Year Set-aside Requirement	149,554	149,554	0	299,108
Current Year Offsets	(22,044)	(89,051)	0	(111,095)
Qualifying Disbursements	(145,651)	(239,774)	0	(385,425)
Total as of June 30, 2000	(\$18,141)	(\$179,271)	\$113,439	(\$83,973)
Balance carried forward to FY 2001	(\$18,141)	\$0	\$113,439	\$113,439
Amount Restricted for School Bus Replacement				22,004
Total Restricted Assets				\$135,443

As of June 30, 2000, the School District had qualifying disbursements during the fiscal year that reduced the textbook and capital maintenance set-aside amounts below zero. The extra amount for the textbook reserve may be used to reduce the set-aside requirements of future fiscal years, while the extra amount for the capital maintenance reserve can not be carried forward.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

12. SET-ASIDE REQUIREMENTS (Continued)

June 30, 1999	<u>Textbooks Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Totals</u>
Balance as of June 30, 1998	\$0	\$0	\$47,976	\$47,976
Current Year Set-aside Requirement	136,400	136,400	65,463	338,263
Current Year Offsets	(22,044)	(89,612)	0	(111,656)
Qualifying Disbursements	<u>(114,356)</u>	<u>(46,788)</u>	<u>0</u>	<u>(161,144)</u>
Total as of June 30, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$113,439</u>	<u>\$113,439</u>
Balance carried forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$113,439</u>	\$113,439
Amount Restricted for School Bus Replacement				<u>3,291</u>
Total Restricted Assets				<u>\$116,730</u>

13. JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEONET)

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

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

13. JOINTLY GOVERNED ORGANIZATION (Continued)

Portage Lakes Career Center

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

Interval Opportunity School

The Interval Opportunity School (the School) is a jointly governed organization made up of six area public Districts. The function of the School is to provide "at risk students" with possibly a last and better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the School. The School is governed by a board of directors comprised of each superintendent from Coventry Local, Portage Lakes Career Center and Green Local. The Coventry Local School District serves as the fiscal agent of the School. The continued existence of the School is not dependent on the District's continued participation and no equity interest exists.

14. SUBSEQUENT EVENTS

At the October 17, 2000 Board of Education meeting, the Board approved the issuance and sale of Energy Conservation Improvement Bonds, Series 2000, for \$496,841. The purpose of these bonds is to pay for installation and remodeling costs to conserve energy in District school buildings.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Manchester Local School District, Summit County, Ohio, (the District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated December 1, 2000 in which we noted the District is reporting on a basis of accounting formerly prescribed or permitted by the Auditor of State. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2000-10977-001 through 2000-10977-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 1, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Manchester Local School District
Summit County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 1, 2000.

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

Jim Petro
Auditor of State

December 1, 2000

MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2000 AND 1999

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

FINDING NUMBER 2000-10977-001

Noncompliance Citations

Ohio Revised Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Throughout fiscal years 2000 and 1999, certain funds incurred negative fund balances as follows:

During fiscal year 2000

<u>Fund Type/Fund</u>	<u>Amount or Range of Negative Fund Balance</u>
General	(\$49,851)
Special Revenue:	
Emergency Levy (Fund No. 016)	(\$11,586)
Athletics (Fund No. 300)	(\$96 to \$11,900)
Professional Development (Fund No. 416)	(\$754)
Title VI-B (Fund No. 516)	(\$509 to \$9,935)
Title 1 (Fund No. 572)	(\$2,141 to \$16,520)
Drug Free Schools (Fund No. 584)	(\$131 to \$396)
Debt Service:	
Bond Retirement (Fund No. 002-0000)	(\$6,491 to \$20,434)
Debt Retirement for P.I. Loan (Fund No. 002-9095)	(\$27,185)
Enterprise:	
Uniform School Supply (Fund No. 009)	(\$1,684 to \$7,407)
Trust & Agency:	
Student Activities (Fund No. 200)	(\$13 to \$290)

**FINDING NUMBER 2000-10977-001
 (Continued)**

During fiscal year 1999

<u>Fund Type/Fund</u>	<u>Amount or Range of Negative Fund Balance</u>
General Fund:	
General Fund (Fund No. 001-0000)	(\$6,360)
Bus Purchase (Fund No. 001-9194)	(\$26,364)
Special Revenue:	
Athletics (Fund No. 300)	(\$3 to \$12,906)
Professional Development (Fund No. 416)	(\$170)
EMIS (Fund No. 432)	(\$1,250 to \$2,809)
Title VI-B (Fund No. 516)	(\$5 to \$8,078)
Title 1 (Fund No. 572)	(\$110 to \$16,670)
Drug Free Schools (Fund No. 584)	(\$100)
Challenge Grant (Fund No. 599-9096)	(\$170 to \$711)
School To Work (Fund No. 599-9199)	(\$2,201 to \$4,326)
Debt Service:	
Bond Retirement (Fund No. 002-0000)	(\$24,178)
Debt Retirement for P.I. Loan (Fund No. 002-9095)	(\$15,000)
Capital Projects:	
Permanent Improvement (Fund No. 003)	(\$3,122 to \$27,627)
Enterprise:	
Uniform School Supplies (Fund No. 009)	(\$356 to \$7,553)

The above negative fund balances were eliminated by the ends of fiscal years 2000 and 1999, except for the Capital Projects, Permanent Improvement Fund (Fund No. 003) which had a negative cash balance of (\$1,845) at June 30, 1999.

The Treasurer should monitor receipts and disbursements on a regular basis to ensure a sufficient fund balance exists before authorizing the expenditure of funds.

Noncompliance Citations (continued)

FINDING NUMBER 2000-10977-002

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

At the end of fiscal years 2000 and 1999, expenditures exceeded appropriations at the fund level which is the District's legal level of control as follows:

<u>2000</u>			
<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Fund:			
Drug Free Schools (Fund No. 584)	\$6,701	\$9,170	(\$2,469)

<u>1999</u>			
<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund (Fund No. 001)	\$8,690,764	\$8,766,075	(\$75,311)
Special Revenue Fund Type:			
Athletic Funds (Fund No. 300)	\$78,443	\$156,518	(\$78,075)
Title I (Fund No. 572)	21,228	58,028	(36,800)
Challenge Grant (Fund No. 599)	<u>7,309</u>	<u>12,131</u>	<u>(4,822)</u>
Total Special Revenue Funds	<u>\$106,980</u>	<u>\$226,677</u>	<u>(\$119,697)</u>
Debt Service (Fund No. 002)	\$147,213	\$164,423	(\$17,210)

Also, during fiscal years 2000 and 1999, two individual expenditure transactions tested in each of the fiscal years (60 tested in total) were not within appropriations at the fund level of control.

The Treasurer should frequently compare actual expenditures plus encumbrances to appropriations at the legal level control to avoid potential overspending.

Noncompliance Citations (continued)

FINDING NUMBER 2000-10977-003

Ohio Revised Code Section 5705.38(B) states in part that “a Board of Education shall pass its Annual Appropriation Measure” and during the fiscal year and after the passage of the Annual Appropriation Measure, a District may pass any supplemental Appropriation Measures as it finds necessary, based on the revised Tax Budget and the Official Certificate of Estimated Resources or amendments of the certificate.” Ohio Revised Code Section 5705.40 states in part that any Appropriation Ordinance or Measure may be amended or supplemented, provided that such amendment or supplement complies with all provisions of law governing the making of an original Appropriation Measure by the Board of Education.

When read together, these code sections mandate that the Board of Education may not delegate its authority to establish appropriations. The appropriation process is a function of the taxing authority that must be performed by those specific individuals elected to fulfill that responsibility. Other officials of the District may be given the authority to allocate or reallocate resources within a legally adopted appropriation, but only below the legal level of control set by the Board of Education.

During the June 20, 2000 and June 15, 1999 Board of Education meetings, the Treasurer was authorized by the Board of Education to balance all funds and accounts as needed to complete the fiscal year. Subsequently, on July 18, 2000 and July 27, 1999, the Board of Education approved the amended appropriations for the fiscal years ended June 30, 2000 and 1999, respectively, as follows:

Increase (Decrease)		
Fund Type	FY 2000 Year-End Amendment	FY 1999 Year-End Amendment
Special Revenue	\$34,690	(\$54,050)
Debt Service	(\$14,065)	(\$34,611)
Capital Projects	(\$34,296)	
Enterprise	(\$31,270)	(\$33,327)
Internal Service	(\$93,354)	(\$42,226)
Trust & Agency	(\$38,715)	

The Board of Education should comply with the above listed statutory provisions and not delegate its authority to amend the Appropriation Measure. Amendments to the Appropriation Measure should be approved by the Board of Education prior to being entered into the District’s computer system. This will help ensure appropriation amendments have been reviewed by the Board of Education.

Noncompliance Citations (continued)

FINDING NUMBER 2000-10977-004

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles.

For fiscal years 2000 and 1999, the District prepared its financial statements on the basis of accounting formerly prescribed and permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MANCHESTER LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 04, 2001**