



Dave Yost • Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Manchester Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion

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

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Manchester Local School District as of and for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements. Because of the significance of the matter described in the Basis for Adverse Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 11, 2014

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**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Taxes	\$ 6,088,365	\$ 240,511	\$ 0	\$91,008	\$ 0	\$ 6,419,884
Tuition	621,912	29,585				651,497
Intergovernmental Revenue	5,925,598	621,179		15,190		6,561,967
Rent	12,984					12,984
Earnings on Investments	914				102	1,016
Extracurricular Activities		140,449				140,449
Customer Sales and Services		225				225
Contributions and Donations		39,377			4,782	44,159
Miscellaneous	3,332	15,974				19,306
Total Cash Receipts	12,653,105	1,087,300	0	106,198	4,884	13,851,487
Cash Disbursements:						
Instruction:						
Regular	6,237,920	3,481				6,241,401
Special	1,124,154	509,809				1,633,963
Vocational Education	78,055					78,055
Adult/Continuing	25,900				15,351	41,251
Support Services:						
Pupils	1,078,582	25,882				1,104,464
Instructional Staff	423,771	42,601				466,372
Board of Education	30,098					30,098
Administration	944,144	17,086		12,252		973,482
Fiscal	373,775	4,800		1,822		380,397
Operations and Maintenance	1,070,834	208,260		985		1,280,079
Pupil Transportation	855,204	30,418				885,622
Central	118,343					118,343
Extracurricular Activities:						
Academic and Subject Oriented	69,297	240,453				309,750
Sports Oriented	266,965	12,219				279,184
Co-Circular Activities	16,477	357				16,834
Facilities Acquisition and Construction Services:						
Building Improvement				578,577		578,577
Other Facilities Acquisition & Construction	22,529					22,529
Debt Service:						
Principal Retirement			62,291			62,291
Interest and Fiscal Charges			23,104			23,104
Total Cash Disbursements	12,736,048	1,095,366	85,395	593,636	15,351	14,525,796
Total Cash Receipts Under Cash Disbursements	(82,943)	(8,066)	(85,395)	(487,438)	(10,467)	(674,309)
Other Financing Source (Uses)						
Issuance of Capital Lease	86,782					86,782
Bond Proceeds	180,000					180,000
Note Proceeds				520,000		520,000
Proceeds From Sale of Capital Assets	2,600					2,600
Transfers - In		13,276	85,395			98,671
Advances-In	15,000	14,572				29,572
Refund of Prior Year Expenditure	52,882					52,882
Transfers - Out	(119,059)				(30)	(119,089)
Advances Out	(14,572)	(15,000)				(29,572)
Total Other Financing Sources (Uses)	203,633	12,848	85,395	520,000	(30)	821,846
Excess of Receipts and Other Financing Sources Over/(Under)						
Cash Disbursements and Other Financing Uses	120,690	4,782	0	32,562	(10,497)	147,537
Fund Cash Balances, July 1, 2012	403,982	208,246	0	22,454	125,455	760,137
Fund Cash Balances, June 30, 2013	\$ 524,672	\$ 213,028	\$ 0	\$55,016	\$114,958	\$ 907,674
Reserves for Encumbrances	\$ 9,869	\$ 20,258	\$ 0	\$ 4,500	\$ 0	\$ 34,627

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Agency	
OPERATING CASH RECEIPTS:				
Charges for services	\$ 201,766	\$ 1,595,672	\$0	\$ 1,797,438
Extracurricular Activities			76,292	76,292
Classroom Materials and Fees	153	1,023		1,176
Total Operating Cash Receipts	<u>201,919</u>	<u>1,596,695</u>	<u>76,292</u>	<u>1,874,906</u>
OPERATING CASH DISBURSEMENTS:				
Salaries and Wages	131,820			131,820
Fringe Benefits	38,680			38,680
Purchased Services	4,158	1,561,381		1,565,539
Material and supplies	207,990	3,168		211,158
Other Objects	942	4,291	78,864	84,097
Total Operating Cash Disbursements	<u>383,590</u>	<u>1,568,840</u>	<u>78,864</u>	<u>2,031,294</u>
Operating Gain (Loss)	(181,671)	27,855	(2,572)	(156,388)
NON-OPERATING CASH RECEIPTS:				
Earnings on Investments		8	40	48
Intergovernmental	151,796			151,796
Contributions and Donations			427	427
Refund of Prior Year Expenses	7,590			7,590
Total Non-Operating Cash Receipts	<u>159,386</u>	<u>8</u>	<u>467</u>	<u>159,861</u>
Excess Cash Receipts Over (Under) Cash Disbursements	(22,285)	27,863	(2,105)	3,473
Transfers-In	22,429			22,429
Transfers-Out			(2,011)	(2,011)
Net Cash Receipts Over (Under) Cash Disbursements	144	27,863	(4,116)	23,891
Fund Cash Balances, July 1, 2012	<u>331</u>	<u>48,512</u>	<u>55,201</u>	<u>104,044</u>
Fund Cash Balances, June 30, 2013	<u>\$ 475</u>	<u>\$ 76,375</u>	<u>\$ 51,085</u>	<u>\$ 127,935</u>
Reserves for Encumbrances	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 3,055</u>	<u>\$ 3,305</u>

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

Manchester Local School District
Summit County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

Average daily membership during 2013 was 1,439. The District employed 116 certificated employees and 85 non-certificated employees during the fiscal year.

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

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

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

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

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

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

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

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

C. Cash and Investments

Investments in repurchase agreements are valued at cost. Investments in money markets are valued at share price, which is the price the investment could be sold for on June 30, 2013.

D. Fund Accounting

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

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

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

Emergency Levy Fund – This fund is used to account for proceeds of the emergency operating levy. Originally passed in 1977, the levy is renewed for a five-year term. Expenditures in this fund are not restricted to specific purpose.

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

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

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

E. Budgetary Process

1. Budget

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

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Appropriations

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

4. Encumbrances

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

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

A summary of 2013 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This 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 Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 2: POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

- 1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- 6) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7) The State Treasurer's Investment Pool (STAR Ohio); and

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 2: POOLED CASH AND INVESTMENTS (Continued)

8) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

Deposits – At June 30, 2013, the carrying amounts of the District’s deposits were \$475,950 and the bank balances were \$573,523. As of June 30, 2013, \$420,873 of the bank balance was covered by federal depository insurance and \$152,650 was uncollateralized and uninsured.

Investments

As of June 30, 2013, the District had the following investments and maturity:

	Fair Value	Investment Maturity 6 months or less
Sweep Account	\$ 490,000	\$ 490,000
Money Market Fund	69,659	69,659
Total	\$ 559,659	\$ 559,659

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

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

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

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 2: POOLED CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Sweep Account	\$ 490,000	87.55%
Money Market Fund	69,659	12.45%
Total	<u>\$ 559,659</u>	<u>100.00%</u>

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2013:

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 13,417,669	\$ 12,990,369	\$ (427,300)
Special Revenue	1,151,519	1,115,148	(36,371)
Debt Service	145,000	85,395	(59,605)
Capital Projects	624,702	626,198	1,496
Enterprise	402,700	383,734	(18,966)
Internal Service	1,540,021	1,596,703	56,682
Fiduciary	103,600	81,643	(21,957)
Total	<u>\$ 17,385,211</u>	<u>\$ 16,879,190</u>	<u>\$ (506,021)</u>

2013 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 12,883,440	\$ 12,879,548	\$ 3,892
Special Revenue	1,155,070	1,130,624	24,446
Debt Service	85,395	85,395	0
Capital Projects	598,136	598,136	0
Enterprise	383,838	383,840	(2)
Internal Service	1,570,990	1,568,840	2,150
Fiduciary	104,662	99,311	5,351
Total	<u>\$ 16,781,531</u>	<u>\$ 16,745,694</u>	<u>\$ 35,837</u>

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 4: PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2011. The next revaluation is scheduled for 2017.

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

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated on calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax was phased out by reducing the assessment rate on the property over several years. The bill provided reimbursements to the District equivalent to the revenue lost due to the phasing out of the tax. In calendar years 2006-2010, the District was fully reimbursed for the lost revenue. House Bill No. 153 was signed into law on June 30, 2011. This bill drastically reduced these reimbursements to the District. Under the current law, the District will continue to be reimbursed at this reduced level.

The Summit County Fiscal Officer collects property taxes on behalf of the District. The Summit County Fiscal Officer remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes.

The full tax rate at the fiscal year ended June 30, 2013 for operations was \$62.94 per \$1,000 of assessed valuation, and permanent improvements, \$1.00 per \$1,000 of assessed valuation.

NOTE 5: INSURANCE

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

For 2013, the District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 6: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$273,231, \$250,138 and \$293,421, respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 6: DEFINED BENEFIT PENSION PLANS

B. State Teachers Retirement System of Ohio

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$787,509, \$767,481 and \$814,632, respectively; 100 percent been contribute for all fiscal years.

NOTE 7: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll or the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 7: POSTEMPLOYMENT BENEFITS - (Continued)

A. School Employees Retirement System (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$34,164, \$41,660 and \$35,529, respectively; 100 percent has been contributed for all fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$15,434, \$14,772 and \$18,882, respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$60,578, \$59,037 and \$62,664, respectively; 100 percent has been contributed for all fiscal years.

NOTE 8: SELF INSURANCE

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

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

Cash and investments	\$	69,659
Actuarial liabilities	\$	102,000

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 9: CONTINGENCIES

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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

NOTE 10 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into the capital improvement reserve. This reserve is calculated and presented on a cash basis. During the fiscal year ended June 30, 2013, the reserve activity was as follows:

	Capital Improvements
Set-aside reserve balance June 30, 2012	\$ 482,736
Current year set-aside requirement	245,697
Current year qualifying expenditures	(135,723)
Current year offsets	(98,777)
Current year offset from note proceeds	(520,000)
Total	\$ (26,067)
Balance carried forward to fiscal year 2014	\$ -

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

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS

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

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS (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 school districts. The function of the School is to provide “at risk students” with possibly a last and better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the School. The School is governed by a board of directors comprised of each superintendent from Coventry Local, Portage Lakes Career Center and Green Local. The Coventry Local School District serves as the fiscal agent of the School. The continued existence of the School is not dependent on the District’s continued participation and no equity interest exists.

NOTE 12: INSURANCE POOL

Schools of Ohio Risk Sharing Authority

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

NOTE 13: LONG TERM DEBT

The changes in the District’s long-term obligations during fiscal year 2013 were as follows:

	Outstanding 7/1/2012	Additions	Deletions	Outstanding 6/30/2013
School Improvement Debt:				
2012 General Obligation Bonds (3.20%)		\$180,000		\$180,000
2012 Tax Anticipation Notes (3.20%)		520,000		520,000
Total Notes Payable		700,000		700,000
Lease Obligations	\$144,262	86,782	(\$62,291)	168,753
Total Long-Term Debt	\$144,262	\$786,782	(\$62,291)	\$868,753

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2013

NOTE 13: LONG TERM DEBT (Continued)

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

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

Principal and interest requirements to retire the Energy Conservation Bonds and Notes outstanding at June 30, 2013, are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$60,000	\$21,440	\$81,440
2015	62,000	19,488	81,488
2016	65,000	17,456	82,456
2017	66,000	15,360	81,360
2018	69,000	13,200	82,200
2019 - 2023	378,000	31,040	409,040
	<u>\$700,000</u>	<u>\$117,984</u>	<u>\$817,984</u>

NOTE 14: LEASES

The District leases buses under non-cancelable leases. During the year, the District entered into a new lease in the amount of \$86,782. The District disbursed \$62,291 to pay lease costs for the year ended June 30, 2013. Future lease payments are as follows:

Year	Amount
2014	\$40,185
2015	34,320
2016	28,456
2017	28,456
2018	28,456
2019 - 2020	36,491
Total Principal and Interest	196,364
Less amount representing interest	27,611
Total Principal	<u>\$168,753</u>

NOTE 15: SUBSEQUENT EVENT

On November 5, 2013, voters approved an additional five year 5.99 mill operating levy for current expenses of the General Fund with collections beginning in 2014.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass through Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States	050005-3M20-12	84.027	\$ 25,873	\$ 26,839
	050005-3M20-13	84.027	252,321	243,072
Total Special Education Cluster			<u>278,194</u>	<u>269,911</u>
Title I Cluster:				
Title I Grants to Local Educational Agencies	05005-3M00-12	84.010	23,372	27,669
	05005-3M00-13	84.010	150,922	147,812
Total Title I Cluster			<u>174,294</u>	<u>175,481</u>
ARRA - Race-to-the-Top Incentive Grants				
	050005-3FD0-10	84.395		700
	050005-3FD0-11	84.395	22,948	19,195
	050005-3FD0-12	84.395	61,347	31,406
Total ARRA - Race-to-the-Top Incentive Grants			<u>84,295</u>	<u>51,301</u>
Education Technology	050005-3S20-12	84.318	224	625
Improving Teacher Quality State Grants	050005-3Y60-13	84.367	26,863	26,863
Educational Job	050005-3ET0-10	84.410	8,886	35,017
Total U.S. Department of Education			<u>572,756</u>	<u>559,198</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	050005-3L60-12	10.555	130,078	130,078
Non-Cash Assistance (Food Distribution):	N/A	10.555	26,027	26,027
National School Breakfast Program	050005-3L70-12	10.553	18,395	18,395
Total U.S. Department of Agriculture			<u>174,500</u>	<u>174,500</u>
Totals			<u>\$ 747,256</u>	<u>\$ 733,698</u>

The accompanying notes are an integral part of this schedule.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTE TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Manchester Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 11, 2014, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2013-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 11, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Manchester Local School District's, Summit County, Ohio, (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could directly and materially affect each of the Manchester Local School District's major federal programs for the year ended June 30, 2013. The Summary of Audit Results in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Manchester Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2013-002. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a material weakness.

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 11, 2014

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**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material control weaknesses 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)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<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 § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education – Grants to States – CFDA #84.027 Title I Grant to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

1. Financial Statement Presentation

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE

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

**Finding Number 2013 -001
(Continued)**

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

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

Governments preparing regulatory statements are required to implement Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions – establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Additionally, AOS Bulletin 2011-004 requires local governments preparing regulatory statements to implement both the new fund balance classifications and the government fund type definitions, as stated in GASB No. 54.

The District should ensure GASB No. 54 is implemented and reflected on their financial statements if they continue to file regulatory statements. However, we recommend the District prepare its annual financial report in accordance with GAAP, implement all applicable GASB statements, and file an annual report with the Auditor of State by the required deadline.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Allowable Activities / Allowable Costs

Finding Number	2013-002
CFDA Title and Number	Special Education – Grants to States – CFDA #84.027 Title I Grants to Local Educational Agencies – CFDA #84.010
Federal Award Number /Year	2013 and 2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE, AND MATERIAL WEAKNESS

2 C.F.R. Part 225, Appendix B (8)(h) provides, in part, salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personal activity reports or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a federal award and a non-Federal award. Personal activity reports or equivalent documentation must meet the following standards:

- They must reflect an after-the-fact distribution of the actual activity of each employee;
- They must account for the total activity for which the employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods;
and
- They must be signed by the employee.

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

The District charged a portion of the Food Service Director's salary totaling \$15,090 to the Title I grant for time spent collecting, reviewing and processing student free and reduced price meal applications. Although, the District uses free and reduced price meal applications to determine its eligibility for school-wide use of Title I funds, collection, review and processing of the applications would be done regardless of the District's participation in Title I funding and therefore should not be charged to the Title I program. Semi-annual certifications were prepared which stated the employee spent 100% of their time working on Title I, but because the employee was charged to multiple grants, time and effort documentation meeting the standards listed above should have been prepared.

During our testing of the Special Ed Cluster (IDEA), we noted that an adjustment for \$13,301 was made for the remaining amount of the funds for the Special Ed Grant. The expense was removed from the general fund and transferred to Title VI-B fund. This charge could not be specifically traced to a teacher, nor was time and effort documentation or semi-annual certification maintained to support this adjustment for any other teachers the District may have considered allowable charges.

**Finding Number 2013 -002
(Continued)**

We are therefore questioning \$15,090 as allowable costs of the Title I program and \$13,301 as allowable costs for the Special Ed Cluster (IDEA).

The District should maintain personal activity reports, or equivalent documentation required for all employees paid from any federal programs, in accordance with the requirements of 2 C.F.R. Part 225, Appendix B (8)(h). The District should only charge salaries to the Title I program for employees whose work is directly related to the overall intent and purpose of the Title I program. This will help ensure the District is in compliance with all Federal time and effort documentation requirements. Furthermore, failure to maintain adequate time and effort documentation could compromise the District's eligibility to participate in future Federal grant programs.

Official's Response: The payment errors regarding the food service director's salary was corrected. Repayment was made to the food service fund from the appropriate fund. Procedures have been put in place so that none of the food service director's salary will be charged to Title I in the future. Relative to IDEA we have special education teachers who are not funded through IDEA. When, due to budget personnel changes, funds in the IDEA salary account were available they were used to pay salaries of special education teachers as an allowable cost. Procedures have been put in place to monitor the salary budgeting process more effectively.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	<p>Ohio Rev. Code Section 117.38, Filing of the Financial Report</p> <p>Ohio Admin. Code Section 117-2-03(B), Prepare Annual Financial Report in Accordance with Generally Accepted Accounting Principles</p>	No	Not Corrected. Refer to Finding 2013-001.

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**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	District has reimbursed Title I and will not budget any governance in the future. IDEA salary accounts will be budgeted correctly, monitored and all required documentation will be completed	6-1-14	Jennifer Rucker, Treasurer

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on September 18, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

April 11, 2014

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Dave Yost • Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 13, 2014**